

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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For the Fiscal Years Ended
April 30, 2019 and 2018



KCWATER

A Department of the City of Kansas City, Missouri

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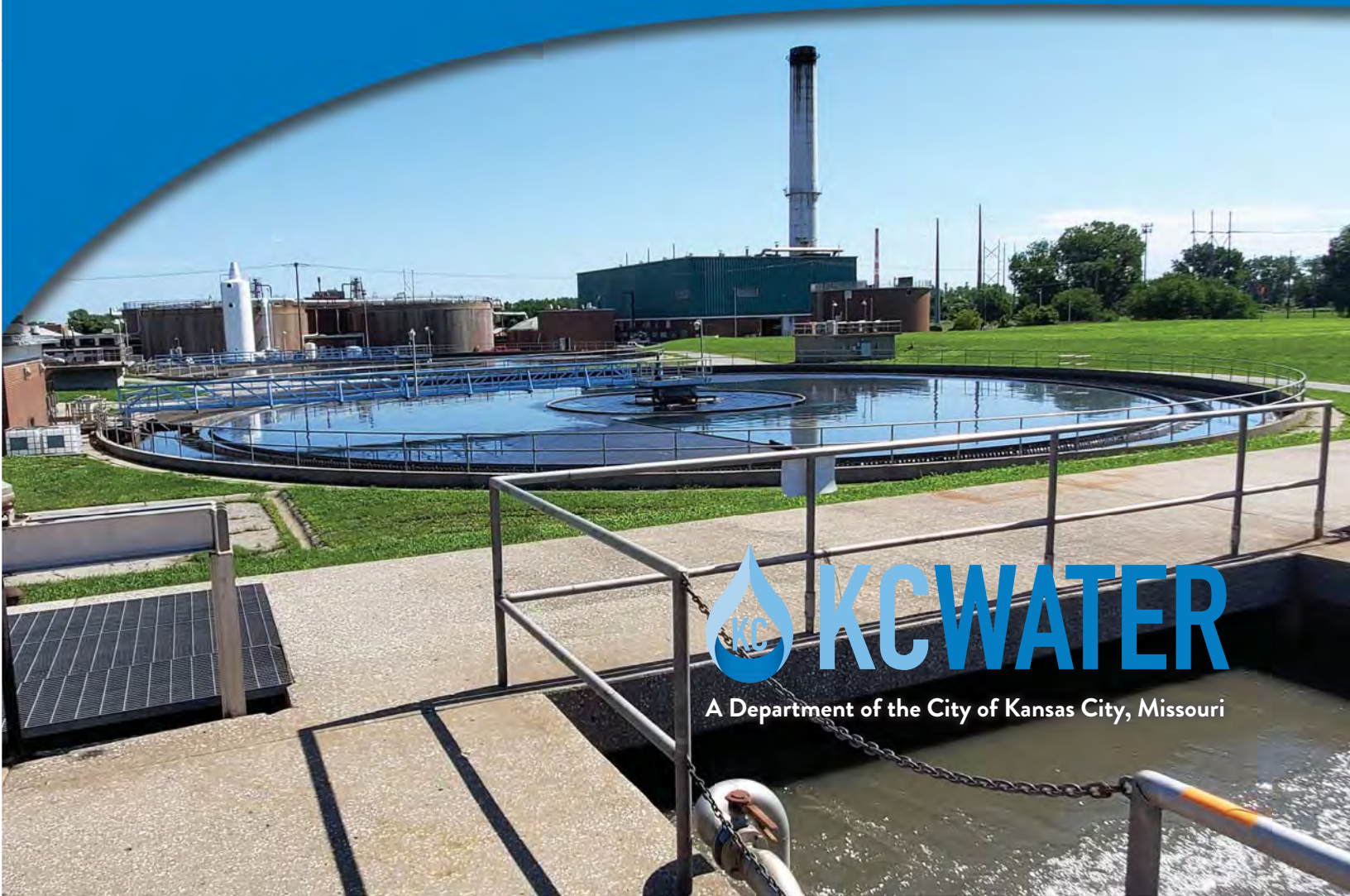
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Finance & Accounting Staff



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Years Ended April 30, 2019 and 2018

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INTRODUCTORY SECTION





KC WATER
OFFICE OF THE DIRECTOR

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October 30, 2019

The Honorable Mayor, Members of the City Council, City Manager, and Citizens of Kansas City:

City of Kansas City, Missouri Water Services Department (KC Water) is a department of Kansas City, Missouri's Municipal Government. It operates the Water, Wastewater and Stormwater Enterprise Funds, meaning it is financed by the fees collected from its customers. Kansas City municipal government has 19 departments and all of them, with the exception of KC Water and Aviation, are financed by taxes collected by the City. So, that makes KC Water a unique organization in many ways.

From a management perspective, KC Water is led by a Director who reports to the City Manager, just like the Directors of all other City departments. The two major utilities, Water and Wastewater, are each led by a utility officer. In addition, KC Water's utilities are regulated by Environmental Protection Agency (EPA) and Missouri Department of Natural Resources (MDNR) and the utilities follow standards as prescribed by the American Water Works Association (AWWA) and the Water Environment Federation (WEF).

As an entity that operates and manages three utilities (Water, Wastewater, and Stormwater), KC Water must fully recover the cost of managing each utility through its fee structure each fiscal year, essentially operating as a utility business. Each year, KC Water conducts a cost of service study with an outside third party engineering firm to determine the necessary revenue requirements and cost allocation methodology to cover the costs of operation. This cost of service study is the basis for the department's annual budget and follows guidelines as prescribed by the AWWA and the WEF. In addition, the Department manages a long term financial plan to forecast future revenue needs associated with major items such as debt service related to planned bond issues to cover capital mandates. This financial plan is a critical component into the annual cost of service study.

In terms of the annual budget approval process, the department initially submits its budget to the City Manager and Mayor six months prior to the start of the next fiscal year. After review by the City Manager and Mayor, public hearings on the budget are held around the city over the next few months. Two months before the next fiscal year starts, the budget and associated rate ordinances are presented to the six member Finance, Governance and Public Safety Committee of the City Council. Once the budget is passed out of the Finance Committee, it is presented by the Department to the full City Council, who in turn, is required to approve or not approve the proposed budget. So, from a governance structure, while the Department Director can recommend a budget and supporting rate structure to the City Manager, rates are ultimately required to receive final approval from the 13-member City Council, one month before the start of the next fiscal year.

KC Water is challenged by the fact that we have a low population density relative to other metropolitan utilities around the country. With 494,000 residents and 320 square miles of service territory, that includes 2,800 miles of water mains and 2,800 miles of sewer mains, our city must manage a network that is larger than the cities of San Francisco, Philadelphia, Boston and Miami combined (total population of 3.4 million). With a smaller base and larger territory, average bills are higher than in many other cities.

As management of KC Water, we offer readers the attached Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2019. The CAFR is prepared in conformity with generally accepted accounting principles, attested by a certified public accountant and is in accordance with local, state, and federal laws and requirements. The independent accounting firm of Allen, Gibbs & Houlik, L.C., whose report is included, has audited the financial statements and related notes.

The report is designed to fairly present KC Water's financial position and results of operations as measured by the financial activity of the various funds. KC Water is responsible for both the accuracy of the data and the completeness and fairness of the presentations, based upon a comprehensive framework of internal controls that it has established for this purpose. Sufficient internal accounting controls exist to provide reasonable, rather than absolute, assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. Management assumes full responsibility for the completeness and reliability of the information contained in this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of basic financial statements and should be read in conjunction with the basic financial statements.

KC Water is responsible for the operation and maintenance of the City's revenue-producing waterworks system ("System"), which includes facilities for obtaining, purifying and delivering potable water for domestic, commercial and industrial consumption and fire protection within the City and surrounding areas. The System is comprised of three separate and distinct units: The Water, Sewer and Stormwater utilities. Each is treated as a separate and distinct enterprise fund.

LOCAL ECONOMY

Kansas City, Missouri is situated at the junction of the Missouri and Kansas rivers and sits opposite Kansas City, Kansas. It is the largest city in the Kansas City Metropolitan Area; the most populous city in Missouri, the sixth largest city in the Midwest, and the 38th most populous city in the United States. Kansas City's location makes it a national transportation hub. The most geo-central market in the nation, metro Kansas City is served by four interstate highways. Kansas City has a diversified economy including transportation, telecommunications, manufacturing, health care, legal services, trade, financial services, and governmental services. The region provides access to over one million jobs in over seven hundred occupations. The top three employers by industry within Kansas City are Government at 7.32%, Cerner Corporation at 1.26% and HCA Midwest Health System at 0.90%.

Per the Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) for Kansas City as of April 30, 2019 was 3.5%, which is 0.3 percentage points lower than the national average unemployment rate of 3.8%.

Housing in the City of Kansas City is comparatively affordable among major metropolitan cities, with values holding steady. The median price for existing homes is \$121,600, while the median home value in Missouri is \$162,400. U.S. News and World Report listed Kansas City as 16th on its “25 Best Affordable Places to Live in the U.S.” ranking, showcasing the value of residing in Kansas City.

Kansas City is officially nicknamed the “City of Fountains - Heart of the Nation” with over 200 fountains, the second most in the world just behind Rome, Italy. Kansas City’s Parks and Recreation Department oversees 158 miles of trails and bike ways, 221 urban parks, 29 lakes, 106 playgrounds, 125 ball diamonds, 116 basketball courts, 10 community centers, five public golf courses, eight museums and attractions, and 24 aquatic facilities. Swope Park is one of the nation’s largest city parks, comprising 1,805 acres, and annually attracts more than two million visitors.

Kansas City is recognized for a growing number of hot spot attractions such as the Kauffman Center for the Performing Arts, the National World War I Museum, the Nelson-Atkins Museum of Art, the American Jazz Museum, the Negro Leagues Baseball Museum, College Basketball Experience, Science City, Toy and Miniature Museum, and the Kemper Museum of Contemporary Art.

Kansas City has the honor of being the only U.S. city named a City of Music by the United Nations Educational, Scientific and Cultural Organization (UNESCO). Sixty-four cities from forty-four countries have received this distinguished designation as UNESCO Creative Cities. The City has joined the frontline of UNESCO’s efforts to foster innovation and creativity as key drivers for a more sustainable and inclusive urban development. While these cities differ geographically, demographically or economically, all Creative Cities commit to develop and exchange innovative best practices to promote creative industries, strengthen participation in cultural life, and integrate culture into sustainable urban development policies.

The Water Utility

The primary system includes a 240 million gallon per day treatment plant, 4 major pump stations, 14 re-pump stations, numerous water storage facilities, and approximately 2,800 miles of water mains. Treated water service is provided to approximately 173,000 customers inside and outside the City and 32 active wholesale customers. There are also connections with the transmission systems of 6 other regional water suppliers that can be activated in case of an emergency.

The City obtains its raw water for the primary System from a combination of surface and ground water sources. Surface water comes from the Missouri River and accounts for approximately 80% of the raw water. Ground water comes from a well field in the Missouri River aquifer and accounts for the remaining 20% of raw water. Water treatment is a four-step process that consists of sedimentation, softening, stabilization and filtration. The treated water produced by the KC Water meets current federal and state requirements for drinking water.

Water is pumped into the transmission system from storage reservoirs located at the water treatment plant, which is located on the north side of the Missouri River. The water transmission system is comprised of two essentially separate systems, one serving customers located north of the Missouri River and the other serving customers located south of the Missouri River. Water is delivered to the southern system through two tunnels under the Missouri River. The distribution systems include booster pumping stations and elevated, underground, and ground level water storage reservoirs. The existing treated water storage capacity is 155 million gallons. The average daily flow during Fiscal Year 2019 was about 99.8 million gallons per day with a peak day demand of 158.1 million gallons, which is about 66% of the primary treatment plant's design capacity.

The number of employees within the Water Utility totaled 476 at year end, April 30, 2019, which is an increase of 1 employee over the prior year (61% labor class, 39% management class).

The table below provides a summary of System customers for the past 5 years.

	2015	2016	2017	2018	2019
Retail Customers	151,073	152,251	153,232	154,220	155,015
Commercial / Industrial	17,865	17,843	17,862	18,028	18,060
Wholesale Customers	32	32	32	32	32
Total	168,970	170,126	171,126	172,280	173,107

The table below sets forth the 10 largest users of the System and the percentage of total consumption applicable to each for the Fiscal Year ended April 30, 2019:

User	Type of Business	Annual Consumption (100 cubic feet)	Percentage of Total Consumption
City of Lee's Summit	Wholesale Water	1,290,517	4.0%
City of Belton	Wholesale Water	936,121	2.9%
Dogwood Energy	Utility	702,942	2.2%
City of Raymore	Wholesale Water	683,626	2.1%
Raytown Water Company	Wholesale Water	603,273	1.9%
Jackson County PWS No. 1	Wholesale Water	599,820	1.9%
City of Blue Springs	Wholesale Water	540,461	1.7%
Ford Motor Company	Commercial	463,317	1.5%
Jackson County PWS No. 2	Wholesale Water	447,974	1.4%
KCP&L	Utility	417,562	1.3%

The Sewer Utility

The Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 167,000 customers inside and outside the City on a retail basis and agreements with 27 surrounding communities and sewage districts on a contractual basis. KC Water currently maintains 40 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations and 6 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to KC Water’s treatment plants receives secondary treatment in compliance with federal and state environmental regulations.

A summary of KC Water’s wastewater treatment plants are presented in the table below.

Existing Wastewater Treatment Facilities

Treatment Facility	Approximate First Year of Operation	Current Design Capacity (mgd)	Average Flow (mgd)
Blue River	1964/1985	105.00	81.75
Westside	1977	22.50	17.18
Birmingham	1977	20.00	10.42
Todd Creek	1999	3.40	1.85
Fishing River	2000	2.00	1.00
Rocky Branch	2005	2.80	1.96
TOTAL		155.70	114.16

The System’s wastewater collection and treatment services include the processing of biosolids. Biosolids, the stabilized product generated from treatment of wastewater, is used in land application at a City-owned facility in the cultivation of non-food agriculture. The crops harvested, soy-beans and corn, are used as sources of alternative energy, namely bio-diesel and ethanol. These activities meet the United States Environmental Protection Agency (“EPA”) treatment and pollutant content criteria Part 503.13. Biosolids can be safely recycled and applied as fertilizer to improve the quality of land for agriculture, while increasing crop yields.

The number of employees within the Sewer Utility totaled 318 at year end, April 30, 2019. This is the same as the prior year (66% labor class, 34% management class).

The table below provides a summary of Sewer customers for the past 5 years.

	2015	2016	2017	2018	2019
Residential Customers	147,475	148,033	148,501	149,489	150,261
Commercial/Industrial	16,585	16,576	16,662	16,778	16,807
Inter-Jurisdictional	28	28	28	28	27
Total	164,088	164,637	165,191	166,295	167,095

The table below sets forth the 10 largest users of the Sewer System and the percentage of total revenue applicable to each for the Fiscal Year ended April 30, 2019:

User	Type of Business	% of Total Revenue
Johnson County, KS	Inter-Jurisdictional	10.9%
Gladstone, MO	Inter-Jurisdictional	3.3%
North Kansas City, MO	Inter-Jurisdictional	2.6%
Ford Motor Company	Industrial	1.4%
Liberty, MO	Inter-Jurisdictional	1.1%
Cook Family Foods	Industrial	0.9%
Raytown, MO	Inter-Jurisdictional	0.8%
Hospital Corp of America	Commercial	0.7%
KC Parks & Rec District 3	Governmental	0.6%
Childrens Mercy Hospital and Clinics	Commercial	0.5%

The Stormwater Utility

Six hundred thirty miles of storm sewer carry stormwater from more than 53,000 stormwater inlets serving Kansas City. In addition, KC Water maintains a flood risk management system that includes 13.5 miles of levee and floodwall, operates 15 flood pump stations, and maintains six detention basins. On an annual basis, the Stormwater utility cleans 18,000 storm inlets, repairs and replaces 300 catch basins, and sweeps over 14,000 miles of stormwater gutters.

What is Stormwater?

Stormwater is simply the water created by rainfall or melting snow. Stormwater is a necessary and important resource, but it can also cause water quality and water quantity issues in urban and suburban areas. When it does not soak into the ground, it runs off, traveling down street gutters and across paved surfaces, bare soil, or sloped lawns. As stormwater travels across paved surfaces, it collects pollutants such as sediment, fertilizers, pesticides, pet waste, oil, de-icing products, yard waste, and litter. It eventually makes its way to a ditch or storm drain in the street. From there, the storm drain system carries the water directly to local streams and rivers without treatment to remove pollutants.

Polluted stormwater can cause many problems, including threats to human and animal health, flooding, and erosion. Many pollutants are toxic, such as organic compounds, bacteria, and viruses. In addition, when too much stormwater runs off paved surfaces, roofs, and lawns, flooding may occur, which can cause damage to property. High volumes of stormwater flowing into a stream also can cause severe stream bank erosion.

Issues related to Stormwater

Because stormwater runoff is the number one vehicle for pollutants entering our local waterways, it is critical that we be aware of what ends up on the ground and ultimately, in our storm drains.

When rain soaks into the soil it is called infiltration. Infiltration helps clean and filter the water and recharge groundwater supplies. Paved, solid surfaces (also known as “impervious surfaces”) such as parking lots, roads, and driveways keep rain from soaking into the soil. In addition to preventing rain from soaking into the soil, impervious surfaces increase the speed and amount of water that rushes into streams, which in turn can cause erosion, damage properties, harm wildlife habitats, and fill streams with sediment.

In Kansas City, the average size home has a 1,000 square-foot roof. A rainfall of just one inch can cause over 600 gallons of water to run off that roof. Much of this water runs from gutters through downspouts onto impervious surfaces such as streets or driveways, carrying pollutants into storm drains and eventually into our rivers and streams.

In the past, cities installed pipes and storm drains to move stormwater away from homes and buildings as quickly as possible and drain it in the nearest creek or stream. This approach, still practiced in many places today, can result in polluted stormwater, stream bank erosion, and flooding in communities downstream. The new and preferred way to manage stormwater is to keep it onsite, slow it down, spread it out, and let it soak in. This allows the soil to filter out pollutants and enables water to enter streams gradually. Developers and municipalities are now using green infrastructure methods such as rain gardens, bio-retention, native plantings, and porous pavements to help manage stormwater where it falls.

Sewer Overflows

Combined sewers are older systems that carry both stormwater and sewage (also called “wastewater”) to treatment plants. Kansas City has 58 square miles of combined sewers. When stormwater runoff from rain storms completely fills combined sewer pipes, the result is a “Combined Sewer Overflow,” a discharge of untreated wastewater and stormwater into local streams. In areas where sanitary sewers and storm sewers are separate, sewer overflows can occur when downspouts, sump pumps, and floor drains from homes and businesses are connected directly to the wastewater sewer.

The Stormwater Utility Division is responsible for stormwater management for the City of Kansas City, Missouri. Its responsibilities can be classified into quantity and quality management duties. Stormwater quantity management involves the management and coordination of improvements to the stormwater system and flood risk management systems including the levees, floodwalls, flood pump stations and the flood warning system. This entails coordinating the planning, design and construction of the improvements necessary to fulfill these responsibilities. Stormwater quality management involves the coordination, oversight and protection of the city’s runoff and surface water quality through the implementation of the MS4 and Land Disturbance Permit requirements. The Stormwater division also sets the policies and standards (as well as implements existing standards) for stormwater infrastructure across the city.

In addition, the Stormwater Line Maintenance group is responsible for maintaining the rain gardens created within the city’s right of ways. This responsibility will continue to increase in the future as more rain gardens are created.

Stormwater Fees

Most homeowners pay a stormwater fee that helps the community maintain its stormwater system. This fee is often collected monthly in a water or other city utility bill, or paid annually with property taxes. Stormwater fees vary across the Kansas City metropolitan region but are generally either a flat or tiered rate, which is based on the amount of impervious surface (such as roofs and driveways) on each property. If you are a resident of Kansas City, Missouri, your stormwater fee is included in your monthly water bill.

Currently, the average Kansas City, Missouri resident pays a stormwater monthly charge of approximately \$2.50 based on a fee of 50 cents per 500 square feet of impervious surface. This rate has remained unchanged since 2003. This fee supports several Stormwater utility activities such as leaf and brush removal, street sweeping, catch-basin cleaning, floodwall and levee inspections, and pipe and inlet maintenance. With such a minimal fee, there is only enough funding to minimally maintain the current stormwater system but not enough to replace or expand existing stormwater infrastructure.

Stormwater fees raise about \$13.3 million annually, vs. stormwater utility expenses of about \$20.4 million annually. The deficit is funded through reductions in cash reserves, which is not a sustainable long-term solution to funding the operating deficit.

Stormwater Credits

In order to reduce stress on the stormwater system and encourage more green infrastructure to help reduce stormwater runoff, many communities give stormwater-fee credits to customers. KC Water is no exception, offering two types of stormwater fee credits for property owners that use best management practices on their property.

The first type of credit is a ratio credit for properties that have a large pervious area to help absorb stormwater and prevent it from entering storm drains. Property owners can receive a credit if the ratio of the total property area to the runoff surface area is at least 30:1. For example, if a property totals 30,000 square feet and paved or roofed areas make up only 1,000 square feet of the property, it qualifies for the credit. Properties that qualify are granted a 50 percent stormwater fee credit.

The second type of stormwater fee credit is a detention credit for the installation of stormwater detention structures on your property. These types of structures are installed and maintained to hold stormwater on the property during the heaviest parts of a storm, thereby reducing flooding and erosion downstream. Typically, detention basins are professionally designed stormwater management systems that are carefully built to ensure that they catch the required amount of water per rain storm for a given area.

The number of employees within the Stormwater Utility totaled 90 at year end, April 30, 2019. This is 5% less than the prior year (63% labor class, 37% management class).

Capital Improvement Projects

The Water Fund will have invested approximately \$424 million over five years in water capital improvement projects. The projects are dedicated to water distribution; replacement of water transmission mains; rehabilitation of water treatment plants, pump stations, and storage facilities. The largest allocation, or 74% of the total capital investment is committed to the water distribution system. The projects are designed to improve system performance and reliability, reduce water main breaks, enhance fire protection, and deliver safe drinking water to customers.

The Water Main Replacement (WMR) Program uses a strategic, data-driven approach to prioritize the replacement of the water distribution system. It is based on replacing approximately 1% of the system annually, approximately 28 miles/year. The capital investment is structured to reduce O&M costs through systematic replacement of aging infrastructure in order to increase system reliability and improve customer service through reduced service interruptions. The prioritization process is based on a business risk exposure assessment of each pipe segment in the system. The 2,800-mile distribution system was divided into more than 70,000 individual segments. Each segment was analyzed for a consequence-of-failure score and a likelihood-of-failure score to create a business risk exposure (BRE) score for each segment. Those segments with the highest BRE score are scheduled for replacement the following year. The model is a dynamic model updated with the latest information and run each year to establish the prioritization for the following year.

Overflow Control Program

The Overflow Control Program (OCP) was developed to meet regulatory requirements set forth by the Environmental Protection Agency and the Missouri Department of Natural Resources. The regulations require minimizing overflows from the combined sewer system and preventing overflows from the separate sanitary sewer system. The parties have agreed to allow a 25-year period to meet those objectives by completing a planned list of improvements within five years. The implementation schedule is targeted to treat 88% of combined sewer flows and eliminate sanitary sewer overflows during a twenty-four hour rainfall event.

The Sewer Fund will have invested approximately \$600 million over five years in capital improvement projects. Of this amount, \$362 million is committed to the 25-year federally mandated OCP. The estimated total cost of OCP over the next 25 years is approximately \$4.5 billion, adjusted for inflation. In addition, annual expenditures for operations and maintenance are expected to increase by approximately \$72 million. It is anticipated that OCP will be financed primarily by the Sewer Fund.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KC Water for its Comprehensive Annual Financial Report for the fiscal year ended April 30, 2018. This was the second year that KC Water submitted a CAFR for consideration and the second consecutive year the award has been achieved. To be awarded the Certificate of Achievement, a government must publish an easily readable and organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and legal requirements. A Certificate of Achievement is

valid for a period of one year only. This report is intended to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for a certificate.

Respectfully submitted,



Sean Hennessy
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

KC Water
Missouri

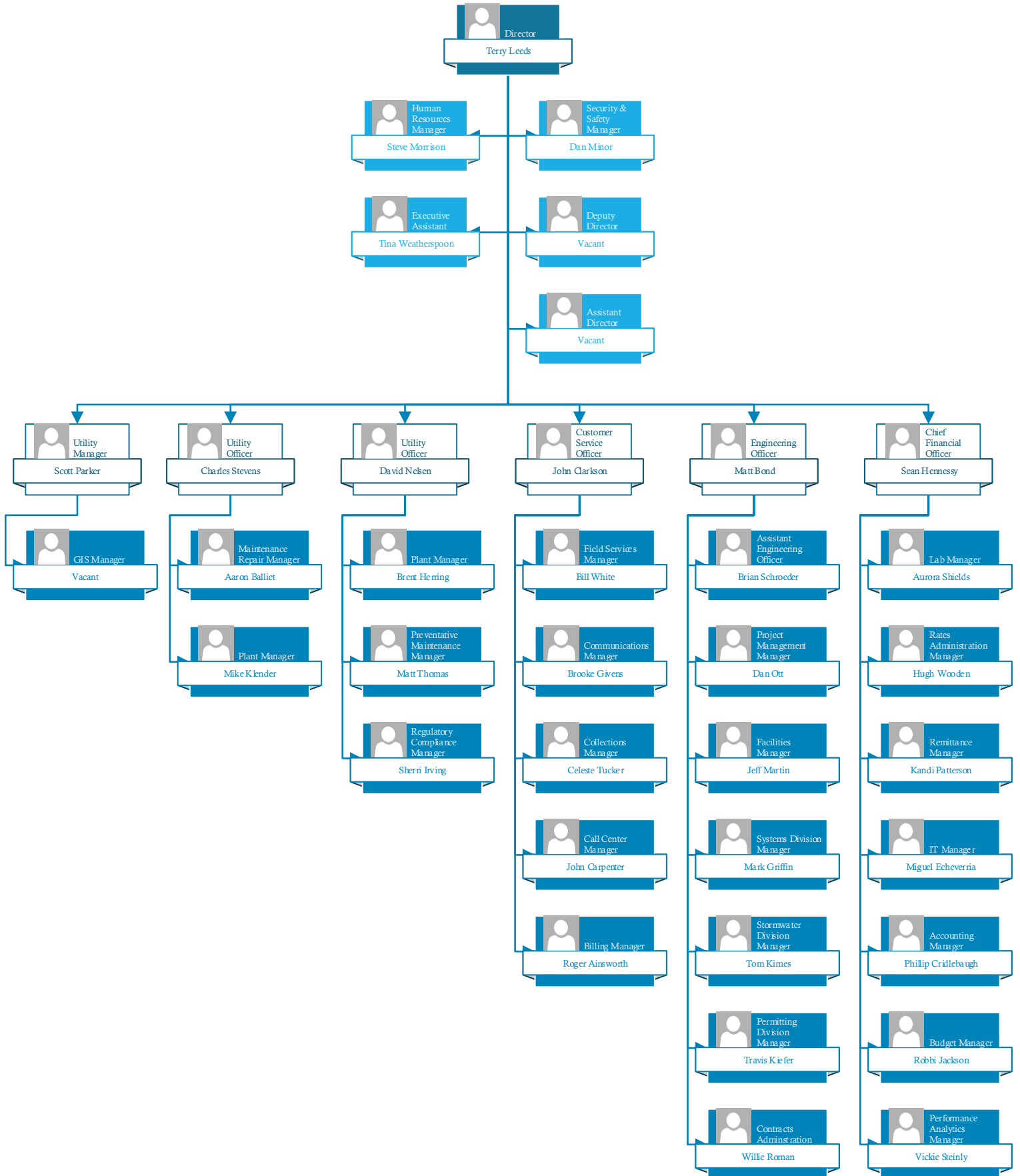
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2018

Christopher P. Morrill

Executive Director/CEO

KC Water Organizational Chart



FINANCIAL SECTION

*Basic Financial Statements
Required Supplementary Information (Unaudited)
Supplementary Information*



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
and the City Manager
**KC Water, a Department of the
City of Kansas City, Missouri**

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the Water Services Department of the City of Kansas City, Missouri (KC Water or Department), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the KC Water's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of KC Water, as of April 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of KC Water, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kansas City, Missouri that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Kansas City, Missouri as of April 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1, in 2019, KC Water adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, and GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinions are not modified with respect to this matter.

Other Matters

Report on Prior-Period Information

The financial statements of KC Water, as of and for the year ended April 30, 2018, were audited by other auditors, whose report, dated October 30, 2018 expressed unmodified opinions with respect to those financial statements. The audit report included an emphasis of a matter paragraph to emphasize that the financial statements present only KC Water and not the City of Kansas City, Missouri, as similarly disclosed in the emphasis of matters section of this report.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KC Water's basic financial statements. The Combining Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2019 on our consideration of KC Water's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KC Water's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KC Water's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 30, 2019
Wichita, KS

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Management's discussion and analysis (MD&A) of KC Water, a department of the City of Kansas City, Missouri (comprised of three separate and distinct enterprise funds: Water, and the Combined Sewer Fund, which includes Wastewater and Stormwater) provides readers a narrative overview and analysis of each Fund's financial statements and activities for the fiscal years ended April 30, 2019 and 2018, with selected comparative information for the fiscal year ended April 30, 2017.

Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes in order to provide a complete understanding of the financial performance and activities during the years ended April 30, 2019 and 2018.

Overview of the Financial Statements

The accompanying financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets include land, buildings, improvements, equipment and infrastructure assets, such as water mains, pumping stations and treatment plants. Capital assets, except land, are depreciated over their estimated useful lives. Major outlays for capital improvements are capitalized as projects during construction. Capital assets not completed by year-end have been reported as construction-in-progress. (See Notes to Financial Statements for significant accounting policies).

The statements of net position present information about each fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources reported as net position.

The statements of revenues, expenses and changes in net position present information showing how each fund's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect each fund's cash accounts through operating activities, noncapital financing activities, capital and related financing activities and investing activities are presented in the statements.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Financial Position and Assessment

Summary of Net Position
(in thousands)

	April 30,		
	2019	2018	2017
Assets			
Current assets - unrestricted	\$ 132,136	\$ 126,163	\$ 104,141
Current assets - restricted	43,805	118,535	68,807
Noncurrent investments - unrestricted	401,161	317,414	292,648
Noncurrent investments - restricted	240,479	285,580	248,607
Capital assets	2,366,096	2,241,096	2,106,631
Other assets	9,432	13,177	6,296
Total assets	3,193,109	3,101,965	2,827,130
Deferred Outflows of Resources			
Loss on refunding	3,493	3,106	3,675
Items related to pension plan	12,816	23,710	31,927
Items related to OPEB	926	--	--
Total deferred outflows of resources	17,235	26,816	35,602
Total assets and deferred outflows of resources	\$ 3,210,344	\$ 3,128,781	\$ 2,862,732
Liabilities			
Current liabilities	41,777	53,130	45,535
Liabilities payable from restricted assets	68,604	73,496	60,452
Long-term liabilities	1,019,188	1,069,067	936,081
Total liabilities	1,129,569	1,195,693	1,042,068
Deferred inflows of resources			
Items related to pension plan	1,125	967	1,124
Net Position			
Net investment in capital assets	1,565,390	1,502,642	1,425,852
Restricted	90,558	95,726	93,666
Unrestricted	423,702	333,753	300,022
Total net position	2,079,650	1,932,121	1,819,540
Total liabilities, deferred inflows of resources and net position	\$ 3,210,344	\$ 3,128,781	\$ 2,862,732

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Water Fund

Within the Water Fund, total assets increased by \$36.2 million or 2.8% from the previous year. Restricted cash and investments decreased by \$34.9 million or 28.8%. Unrestricted cash and investments used in daily operation increased by 17.4%. However, notes receivable decreased by 12.3%. Capital assets increased by \$48.4 million or 4.9% as anticipated by the ongoing capital improvement program. Total liabilities decreased by \$21.9 million or 4.3%.

At the close of FY2019, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in a net position of \$875.7 million, of this amount, \$155.7 million is considered unrestricted. The unrestricted net position may be used to meet ongoing business activities of the Water Fund and may not be used to fund the City's governmental activities. Total net position increased by \$52.3 million or 6.4% over the previous year, indicating that the Water Fund improved its financial position. The largest portion of net position, \$681.5 million or 77.8%, consists of investment in capital assets (e.g., land, buildings, water treatment facility, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to the customers of the water collection, processing and distribution systems.

In FY2018, total assets of the Water Fund increased by \$34.8 million or 2.7% from the previous year. Restricted cash and investments decreased by \$32.9 million or 21.3%. Unrestricted cash assets used in daily operations increased by 2.5%. Capital assets increased by \$46.8 million or 4.9% as anticipated from the ongoing capital improvements program. Total liabilities of the Water Fund decreased by \$18.4 million or 3.5%.

At the close of FY2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$823.4 million, of this amount, \$137.1 million is considered unrestricted. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$48.2 million or 6.2% over the previous year, indicating that the Fund improved its financial position. The largest portion of net position, \$647.5 million or 78.6%, consists of investment in capital assets (e.g., land, buildings, water treatment facilities, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the water collection, processing and distribution systems.

The Sewer Fund

Within the Sewer Fund, total assets increased by \$54.9 million or 3.1% from the prior year. During FY2019, there were \$42 million of Sanitary Sewer System Refunding Revenue Bonds issued, refunding the outstanding balance of Series 2009A Sanitary Sewer System Revenue Bonds. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement decreased by \$84.9 million or 30.2%. Unrestricted assets used in daily operations increased by 27.4%. Capital assets increased by \$76.6 million or 6.2% as anticipated from the ongoing capital improvements program. Total liabilities decreased by \$44.2 million or 6.4%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

At the close of the year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$1,203.9 million for the Sewer Fund. Of this amount, \$268.0 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$95.2 million or 8.6% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$883.9 million or 73.4%, consists of net investment in capital assets (e.g., land, buildings, wastewater treatment facilities, sewer and stormwater utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the wastewater and stormwater systems.

In FY2018, total assets of the Sewer Fund increased by \$240.0 million or 15.5% from the prior year. During the year, there were \$165 million of new Sewer Revenue Bonds issued. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement increased by \$118.6 million or 73.1%. Unrestricted assets used in daily operations increased by approximately 13.8%. Capital assets increased by \$87.6 million or 7.6% as anticipated from the ongoing capital improvements program.

Total liabilities increased by \$172.0 million or 33.1%. Post-employment benefits (pension and OPEB) decreased by \$1.1 million or 3.4%.

At the close of FY2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$1,108.7 million for the Sewer Fund. Of this amount, \$196.7 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$64.4 million or 6.2% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$855.2 million or 77.1%, consists of net investment in capital assets (e.g., land, buildings, wastewater treatment facilities, sewer and stormwater utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the wastewater and stormwater systems.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Summary of Revenues, Expenses and Changes in Net Position
(in thousands)

	April 30,		
	2019	2018	2017
Operating revenues	\$ 422,856	\$ 392,674	\$ 375,255
Operating expenses	(265,647)	(268,782)	(237,887)
Operating income	157,209	123,892	137,368
Nonoperating expenses, net	(11,276)	(22,529)	(18,121)
Excess of revenues over expenses before capital contributions and transfers	145,933	101,363	119,247
Capital contributions	11,899	15,614	11,013
Payment-in-lieu of taxes	(6,401)	(4,396)	(2,960)
Change in net position	151,431	112,581	127,300
Net position, beginning of year as previously reported	1,932,121	1,819,540	1,692,240
Prior period adjustment for change in accounting principle	(3,902)	--	--
Net position, beginning of year, restated	1,928,219	1,819,540	1,692,240
Net position, end of year	<u>\$ 2,079,650</u>	<u>\$ 1,932,121</u>	<u>\$ 1,819,540</u>

Summary of Operating Revenues
(in thousands)

	April 30,		
	2019	2018	2017
Residential and commercial sales	\$ 360,280	\$ 341,597	\$ 324,597
Intermunicipal sewer charges	43,408	33,518	33,688
Other operating revenue	12,099	10,475	10,110
Income from jobbing, contract work and miscellaneous revenues	7,069	7,084	6,860
Total operating revenues	<u>\$ 422,856</u>	<u>\$ 392,674</u>	<u>\$ 375,255</u>
Operating revenues - water	170,945	167,214	165,357
Operating revenues - sewer	251,911	225,460	209,898
Total operating revenues	<u>\$ 422,856</u>	<u>\$ 392,674</u>	<u>\$ 375,255</u>

KC WATER

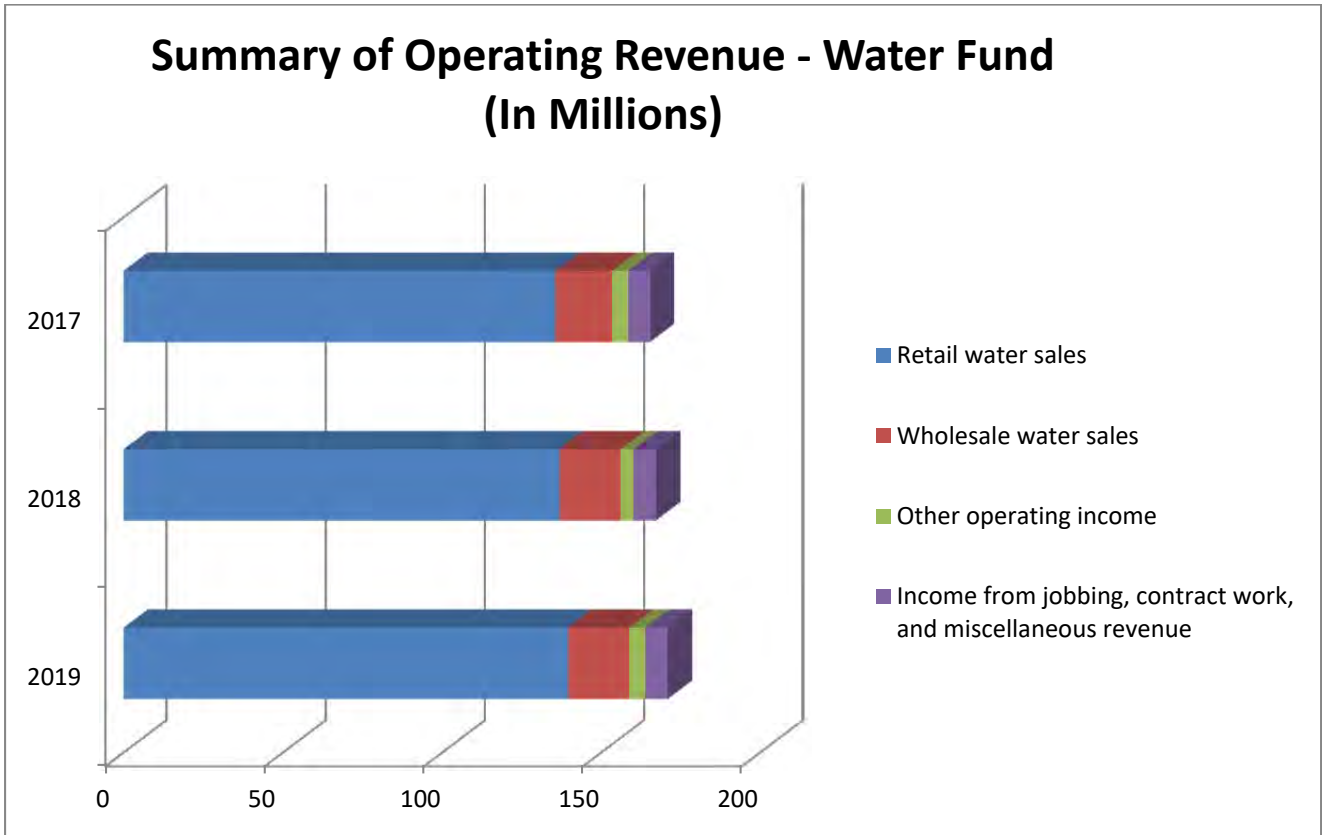
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Water Fund

Within the Water Fund, in FY2019, total operating revenues increased by \$3.7 million or 2.2%. The scheduled 1.5% rate increase contributed additional revenue while water consumption increased. Overall water billed to customers increased by 0.9 million CCF (hundred cubic feet) or 2.9%. Income from jobbing, contract work and miscellaneous revenue decreased by 0.2%, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.



At the close of FY2018, the Water Fund total operating revenues increased by \$1.9 million or 1.1%. The scheduled 1% rate increase contributed additional revenue while water consumption decreased. Overall water consumption by customers decreased by 1.04 million CCF or 2.5%. Income from jobbing, contract work and miscellaneous revenue increased by \$0.2 million or 3.3%, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.

KC WATER

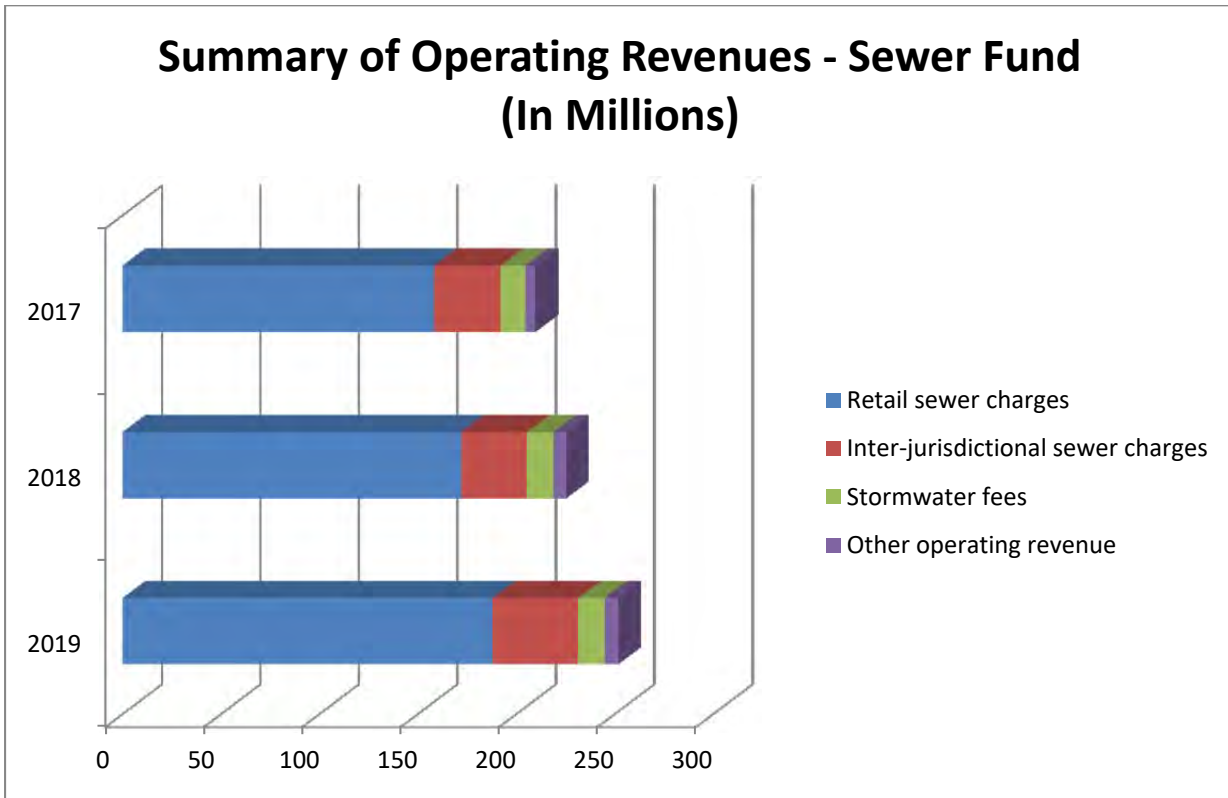
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Sewer Fund

Within the Sewer Fund, total operating revenues increased by \$26.5 million or 11.7% in FY2019. Residential and commercial retail sewer charges contributed \$15.9 million or 60.2% to the increase, primarily due to the scheduled 9.5% sewer rate increase in effect all year. Revenue from inter-jurisdictional services increased \$9.9 million. Stormwater fees decreased \$0.2 million or 1.3% during the year. There was a 9.6% increase in other operating revenue that consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots.



At the close of FY2018, the Sewer Fund total operating revenues increased by \$15.6 million or 7.4%. The increase was attributable mostly to the scheduled 9% sewer rate increase in effect all year. Additional sales, net of bad debt expense, to residential and commercial retail customers contributed \$14.4 million to operating revenues, while inter-jurisdictional charges decreased by \$0.2 million. Other operating revenue consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots. Other operating revenue increased by approximately \$1.3 million or 26.4%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Summary of Operating Expenses (in thousands)

	April 30,		
	2019	2018	2017
Power and pumping	\$ 5,990	\$ 5,954	\$ 5,901
General and electrical maintenance	6,052	6,827	6,152
Purification	13,889	14,156	13,186
Laboratory services	2,783	2,915	2,907
Transmission and distribution	22,389	18,678	19,437
Customer service	7,095	7,087	8,263
Mechanical maintenance	1,987	2,206	2,306
Customer accounting and collection	8,103	7,597	6,659
Sewage treatment and pumping	31,052	35,706	29,346
Sewer maintenance	39,505	36,806	30,900
Industrial and household waste control	1,594	1,471	1,409
Administrative and general	64,929	74,367	62,393
Depreciation and amortization	60,279	55,012	49,028
Total operating expenses	<u>\$ 265,647</u>	<u>\$ 268,782</u>	<u>\$ 237,887</u>
Operating expenses - water	111,115	110,236	106,344
Operating expenses - sewer	<u>154,532</u>	<u>158,546</u>	<u>131,543</u>
Total operating expenses	<u>\$ 265,647</u>	<u>\$ 268,782</u>	<u>\$ 237,887</u>

KC WATER

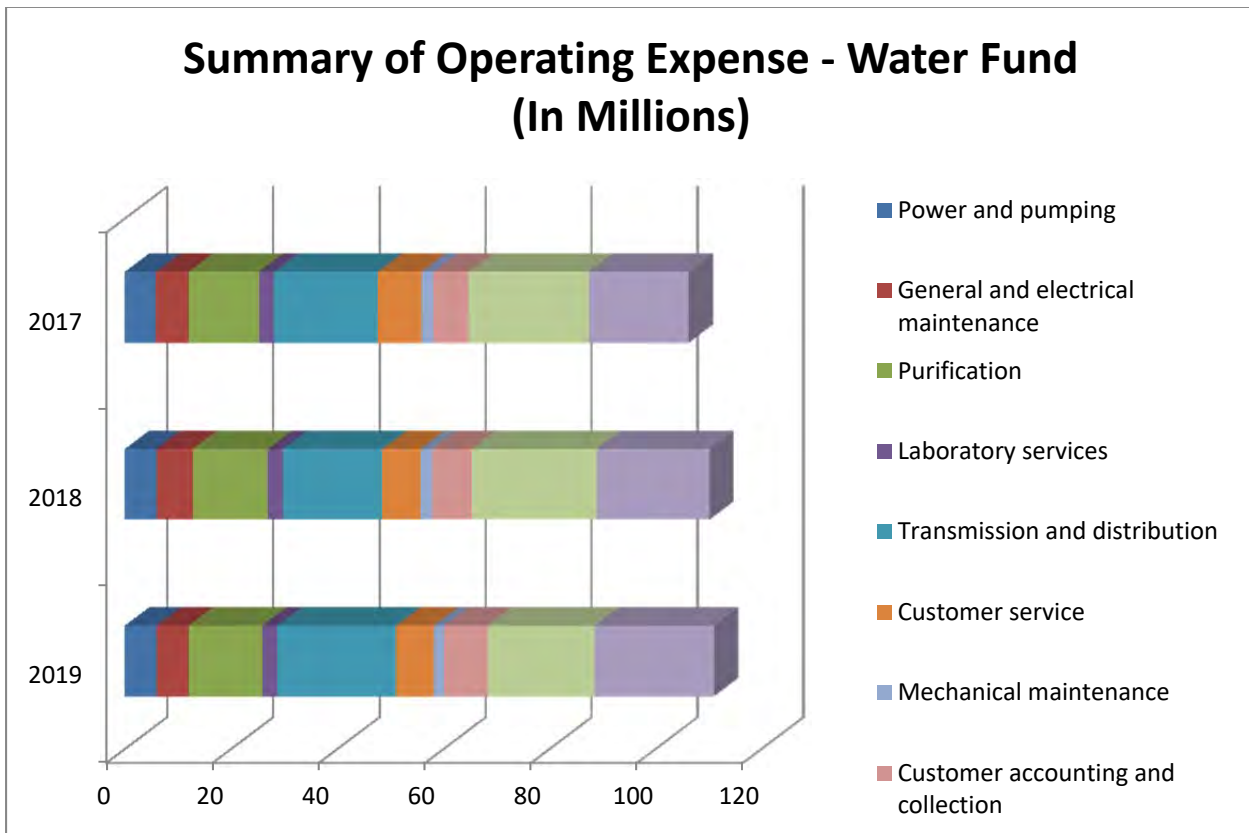
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Water Fund

Total operating expenses of the Water Fund increased by \$0.9 million or 0.8% over the previous year. General and electrical maintenance expenses decreased by \$0.7 million or 11.4%. This was due to a reduction in repairs and maintenance of equipment costs compared to the prior year. Transmission and distribution expense increased by \$3.7 million or 19.9%. This was due to using additional supplemental work forces for pipeline repair in FY2019. Administrative and general expenses decreased by \$3.2 million or 13.6%. Depreciation and amortization increased by \$1.2 million or 5.7% as anticipated by the ongoing capital improvement plan.



In FY2018, total operating expenses of the Water Fund increased by \$3.9 million or 3.7% over the previous year. General and electrical maintenance expenses rose by \$0.7 million or 11.0%. This was due to an increase in repairs and maintenance of equipment costs. Transmission and distribution expense decreased by \$0.8 million or 3.9%. This was due to using less supplemental work forces for pipeline repair. Administrative and general expenses increased by \$0.8 million or 3.6%. Depreciation and amortization increased by \$2.5 million or 13.0% as anticipated by the ongoing capital improvement plan.

KC WATER

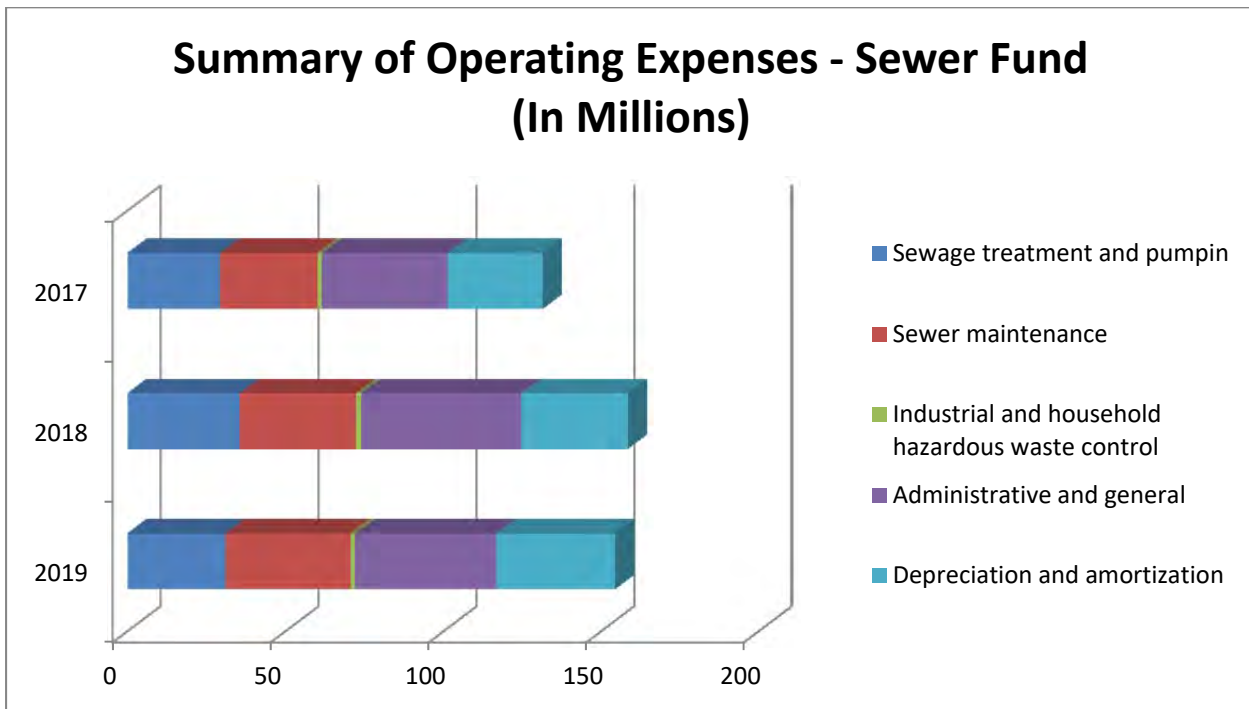
A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

The Sewer Fund

Total operating expenses of the Sewer Fund decreased by \$4.0 million or 2.5% over the previous year. The Fund continues investing in sewer system improvements in order to comply with the Overflow Control Program (OCP) as mandated by the Environmental Protection Agency (EPA). Sewage treatment and pumping expenses decreased by \$4.7 million or 13.0%, sewer maintenance expenses increased by \$2.7 million or 7.3%, administrative and general expenses decreased by \$6.2 million or 12.3% and depreciation and amortization expenses increased by \$4.1 million or 12.1%.



In FY2018, total operating expenses of the Sewer Fund increased by \$27.0 million or 20.5% over the previous year. The Fund continues investing in sewer system improvements in order to comply with the Overflow Control Program (OCP) as mandated by the Environmental Protection Agency (EPA). Sewage treatment and pumping expenses increased by \$6.4 million or 21.7%, sewer maintenance expenses increased \$5.9 million or 19.1%, administrative and general expenses increased by \$11.2 million or 28.1% and depreciation and amortization expenses increased by \$3.5 million or 11.7%.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Capital Assets

Water Fund – Capital assets in the Water Fund totaled \$1,044.6 million (net of accumulated depreciation) and accounted for 77.4% of total assets at April 30, 2019. Construction activities are ongoing to replace older and undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling \$53.2 million were completed. Capital asset additions included \$47.9 million of constructed water mains and appurtenances and \$1.9 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$4.3 million in assets contributed from property developers. Additions and replacements of machinery and equipment totaled \$16.1 million. The increases in depreciable capital assets were offset by disposals and retirements of \$23.2 million.

At year end 2018 capital assets totaled \$996.2 million (net of accumulated depreciation) and accounted for 75.9% of total assets at April 30, 2018. Construction activities are ongoing to replace older and undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling \$82.7 million were completed. They included \$69.6 million of constructed water mains and appurtenances and \$3.1 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$4.8 million in assets contributed from property developers. Additions and replacements of machinery and equipment totaled \$2.9 million. The increases in depreciable capital assets were offset by disposals and retirements of \$10.4 million.

Sewer Fund – At April 30, 2019, capital assets of the Sewer Fund totaled \$1,321.5 million (net of accumulated depreciation) and accounted for 71.7% of total assets. Construction activities are ongoing to repair and improve the City's wastewater system and comply with the Federal Consent Decree to reduce pollutants discharged into streams and waterways. See additional discussion of the Overflow Control Program (OCP) in the next section. During the year, projects totaling \$103.9 million were completed. Capital asset additions included \$86.5 million for sanitary sewer rehabilitation and replacement; \$4.9 million for storm sewer and waterways improvements; and \$4.8 million for pumping stations and equipment. In addition to completed projects, there was \$7.6 million in contributed assets from property developers and assets transferred from Public Works. The increases in depreciable capital assets were offset by disposals and retirements of \$25.3 million.

At April 30, 2018, capital assets totaled \$1,244.9 million (net of accumulated depreciation) and accounted for 69.6% of total assets. Construction activities are ongoing to repair and improve the City's wastewater system and comply with the Federal Consent Decree to reduce pollutants discharged into streams and waterways. See additional discussion of the Overflow Control Program (OCP) in the next section. During the year, projects totaling \$185.9 million were completed. The investment in infrastructure included \$104.9 million for sanitary sewer rehabilitation and replacement; \$13.0 million for storm sewer and waterways improvements; and \$8.4 million for pumping stations and equipment. In addition to completed projects, there was \$10.8 million in contributed assets from property developers and assets transferred from Public Works. The increases in depreciable capital assets were offset by disposals and retirements of \$27.6 million.

Additional information on the Department's capital assets can be found in Note 5: Capital Assets.

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

Debt Administration

Debt Administration provides long-term debt planning, issuance and administration in accordance with the approved Capital Improvement Program to meet the City's capital infrastructure needs. The City promotes effective communication with bond rating agencies in order to maintain its high credit rating and manages debt in accordance with established debt policies. Water revenue bond proceeds are used to finance improvements to the water collection, processing and distribution systems. Wastewater revenue bond proceeds are used to finance improvements to the stormwater management and control systems, and wastewater collection and processing systems. The Fund's outstanding debt is aligned in such a manner to meet the most stringent debt service requirements. In addition, water system net revenues secure outstanding bonds of the Water Fund and wastewater system net revenues secure outstanding bonds of the Sewer Fund.

Moody's Investors Service maintains an Aa2 rating on the City's senior lien water revenue debt and the senior and junior sanitary sewer revenue bonds. Water revenue bond proceeds have been used to fund critical water main replacements and extensions, water treatment plant and pump station improvements and enhancements to service reliability for customers. Sanitary sewer bond proceeds will fund treatment plant, pumping station and sewer conveyance system improvements.

Moody's rating affirmation reflects the:

- Large service area that covers the majority of the Kansas City, Missouri, metropolitan area
- Stable regional economy
- Debt service coverage levels that have improved following consecutive rate increases
- Adequate net working capital
- Favorable debt profile with future borrowing expected
- Satisfactory legal covenants for bondholders

Credit Rating Agencies	Water and Wastewater Bonds Credit Rating
Moody's	Aa2
Standard & Poor's	Water - AA+ Wastewater - AA

Standard & Poor's Ratings Services has maintained an AA+ rating on the City's existing water revenue secured debt and AA rating on the City's existing wastewater secured debt. The rating reflects their assessment of the water and sewer systems:

- Large service base that serves much of the Kansas City metropolitan area (MSA)
- Rates are affordable, given the combined water and sewer rates are below 4% of the City's median household effective buying income
- Strong financial performance

KC WATER

A Department of the City of Kansas City, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended April 30, 2019 and 2018

In April 2014, the City received citizens' approval of an additional \$500 million in water revenue bonds, of which \$362.1 million remains for the purpose of extending and improving the water system.

In August 2012, citizens voted to authorize \$500 million in additional sewer revenue bonds. Following the Series 2018A bond issue, the City has approximately \$100.0 million remaining from its original bond authorization.

The Water and Sewer Funds have the right under the respective bond ordinances to issue additional bonds payable from the same sources and secured by the same revenues, but only in accordance with and subject to the terms and conditions set forth in the respective bond ordinances. The Funds are both required to meet an earnings test before issuing any additional bonds on parity with existing debt.

Additional information about the Department's long-term debt can be found in Note 6: Long-Term Obligations and Restricted Assets.

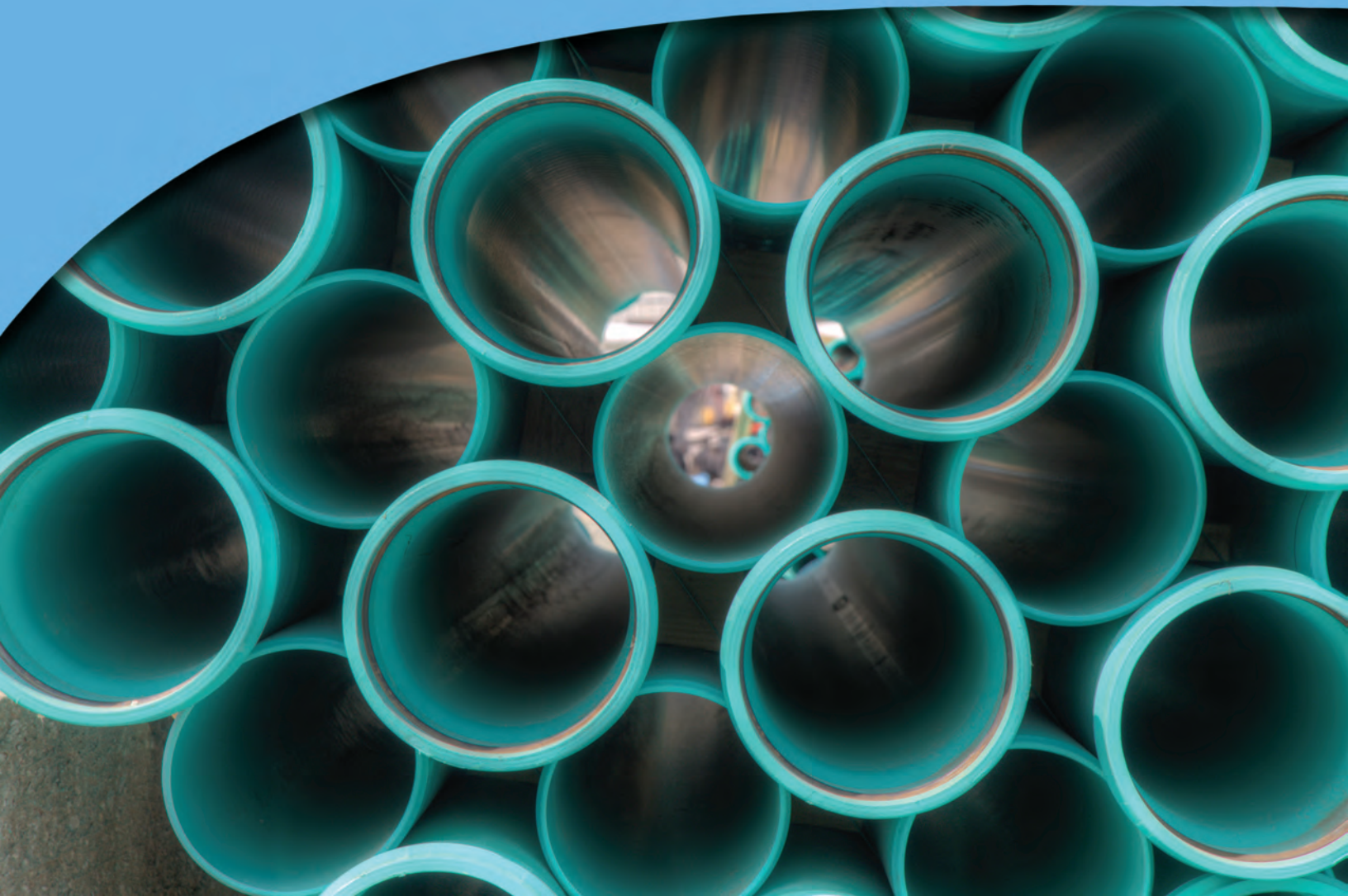
Request for Information

This financial report is designed to provide the Department's management, investors, creditors and customers with a general view of the Department's finances and to demonstrate the Department's accountability for the funds it receives and expends. For additional information about this report or if you need additional financial information, please contact:

Sean P. Hennessy
Chief Financial Officer
KC Water
4800 East 63rd Street
Kansas City, Missouri 64130

FINANCIAL SECTION

Basic Financial Statements



KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF NET POSITION

April 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,995,258	\$ 9,848,885	\$ 15,844,143
Investments	14,479,008	23,806,826	38,285,834
Accounts receivable, net	20,497,384	39,241,943	59,739,327
Accrued interest receivable	975,296	1,919,372	2,894,668
Current portion of notes receivable	552,588	--	552,588
Inventories	1,970,481	562,060	2,532,541
Due from other City funds	12,284,681	2,595	12,287,276
	<u>56,754,696</u>	<u>75,381,681</u>	<u>132,136,377</u>
Total unrestricted current assets			
Restricted assets			
Cash and cash equivalents	1,971,084	13,020,348	14,991,432
Investments	16,236,164	10,758,738	26,994,902
Accrued interest receivable	489,939	1,328,606	1,818,545
	<u>18,697,187</u>	<u>25,107,692</u>	<u>43,804,879</u>
Total restricted current assets			
	<u>75,451,883</u>	<u>100,489,373</u>	<u>175,941,256</u>
Total current assets			
Investments	151,711,887	249,449,307	401,161,194
Restricted investments	68,290,266	172,188,671	240,478,937
Notes receivable	3,207,530	--	3,207,530
Due from other City funds	4,550,000	--	4,550,000
Prepaid bond insurance, net	1,673,219	--	1,673,219
Capital assets, depreciable, net	1,010,300,735	1,264,494,605	2,274,795,340
Capital assets, nondepreciable	34,289,745	57,011,253	91,300,998
	<u>1,349,475,265</u>	<u>1,843,633,209</u>	<u>3,193,108,474</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	1,561,173	1,932,225	3,493,398
Items related to pension plan	6,775,911	6,040,284	12,816,195
Items related to OPEB plan	488,787	436,759	925,546
	<u>8,825,871</u>	<u>8,409,268</u>	<u>17,235,139</u>
Total deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 1,358,301,136</u>	<u>\$ 1,852,042,477</u>	<u>\$ 3,210,343,613</u>

The accompanying notes are an integral
part of these financial statements.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 9,986,956	\$ 18,302,321	\$ 28,289,277
Current portion of compensated absences	864,786	761,801	1,626,587
Accrued payroll and related expenses	1,987,937	1,691,840	3,679,777
Contracts and retainage payable	312,079	706,888	1,018,967
Other liabilities	313,138	--	313,138
Current portion of due to other City funds	305	113,853	114,158
Current portion of claims liability	4,363,637	2,371,329	6,734,966
	<u>17,828,838</u>	<u>23,948,032</u>	<u>41,776,870</u>
Total current liabilities, less those payable from restricted assets			
Liabilities payable from restricted assets			
Accrued interest and fiscal agent fees	6,606,177	7,462,411	14,068,588
Current portion of revenue bonds and notes payable	20,425,000	24,019,000	44,444,000
Contracts and retainage payable	1,857,502	4,713,172	6,570,674
Customer deposits	3,520,583	--	3,520,583
	<u>32,409,262</u>	<u>36,194,583</u>	<u>68,603,845</u>
Total liabilities payable from restricted assets			
Total current liabilities			
	<u>50,238,100</u>	<u>60,142,615</u>	<u>110,380,715</u>
Claims liability			
	14,399,931	7,742,323	22,142,254
Compensated absences			
	2,730,924	2,180,549	4,911,473
Net pension liability			
	26,886,735	22,882,403	49,769,138
Total other postemployment benefit liability			
	7,812,576	6,716,068	14,528,644
Revenue bonds and notes payable, net of current portion			
	<u>379,924,238</u>	<u>547,911,797</u>	<u>927,836,035</u>
Total liabilities			
	<u>481,992,504</u>	<u>647,575,755</u>	<u>1,129,568,259</u>
DEFERRED INFLOWS OF RESOURCES			
Items related to pension plan	<u>594,737</u>	<u>530,170</u>	<u>1,124,907</u>
NET POSITION			
Net investment in capital assets			
Restricted			
Capital projects	23,416,702	34,995,770	58,412,472
Debt service	15,116,893	17,028,614	32,145,507
Unrestricted	<u>155,687,131</u>	<u>268,015,374</u>	<u>423,702,505</u>
Total net position			
	<u>875,713,895</u>	<u>1,203,936,552</u>	<u>2,079,650,447</u>
Total liabilities, deferred inflows of resources and net position			
	<u>\$ 1,358,301,136</u>	<u>\$ 1,852,042,477</u>	<u>\$ 3,210,343,613</u>

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF NET POSITION

April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,297,595	\$ 6,499,609	\$ 10,797,204
Investments	16,160,547	24,480,237	40,640,784
Accounts receivable, net	24,339,811	38,646,565	62,986,376
Accrued interest receivable	292,043	218,413	510,456
Current portion of notes receivable	526,276	--	526,276
Inventories	2,319,374	723,187	3,042,561
Due from other City funds	7,650,679	8,302	7,658,981
	<u>55,586,325</u>	<u>70,576,313</u>	<u>126,162,638</u>
Total unrestricted current assets			
Restricted assets			
Cash and cash equivalents	14,206,586	10,896,830	25,103,416
Investments	6,531,290	85,048,457	91,579,747
Accrued interest receivable	650,398	1,201,013	1,851,411
	<u>21,388,274</u>	<u>97,146,300</u>	<u>118,534,574</u>
Total restricted current assets			
Total current assets			
	<u>76,974,599</u>	<u>167,722,613</u>	<u>244,697,212</u>
Investments	126,217,735	191,196,502	317,414,237
Restricted investments	100,680,438	184,899,659	285,580,097
Notes receivable	3,760,119	--	3,760,119
Due from other City funds	7,620,827	--	7,620,827
Prepaid bond insurance, net	1,796,401	--	1,796,401
Capital assets, depreciable, net	967,539,676	1,184,610,980	2,152,150,656
Capital assets, nondepreciable	28,653,480	60,291,809	88,945,289
	<u>1,313,243,275</u>	<u>1,788,721,563</u>	<u>3,101,964,838</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding	1,969,672	1,136,750	3,106,422
Items related to pension plan	12,619,821	11,089,740	23,709,561
	<u>14,589,493</u>	<u>12,226,490</u>	<u>26,815,983</u>
Total deferred outflows of resources			
Total assets and deferred outflows of resources	<u>\$ 1,327,832,768</u>	<u>\$ 1,800,948,053</u>	<u>\$ 3,128,780,821</u>

The accompanying notes are an integral
part of these financial statements.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 10,899,790	\$ 34,255,114	\$ 45,154,904
Current portion of compensated absences	873,522	726,119	1,599,641
Accrued payroll and related expenses	1,662,152	1,538,787	3,200,939
Contracts and retainage payable	361,988	(3,880,494)	(3,518,506)
Other liabilities	319,126	--	319,126
Current portion of due to other City funds	392,259	29,852	422,111
Current portion of claims liability	4,189,080	1,762,357	5,951,437
	<u>18,697,917</u>	<u>34,431,735</u>	<u>53,129,652</u>
Total current liabilities, less those payable from restricted assets			
Liabilities payable from restricted assets			
Accrued interest and fiscal agent fees	6,935,528	7,201,254	14,136,782
Current portion of revenue bonds and notes payable	19,625,000	25,236,300	44,861,300
Contracts and retainage payable	2,214,345	9,229,704	11,444,049
Customer deposits	3,053,522	--	3,053,522
	<u>31,828,395</u>	<u>41,667,258</u>	<u>73,495,653</u>
Total liabilities payable from restricted assets			
Total current liabilities			
	<u>50,526,312</u>	<u>76,098,993</u>	<u>126,625,305</u>
Claims liability			
Claims liability	14,411,633	5,962,977	20,374,610
Compensated absences	2,749,028	2,070,230	4,819,258
Net pension liability	29,029,374	24,792,427	53,821,801
Other postemployment benefit obligation	5,463,202	4,616,767	10,079,969
Revenue bonds and notes payable, net of current portion	401,742,928	578,228,912	979,971,840
	<u>503,922,477</u>	<u>691,770,306</u>	<u>1,195,692,783</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Items related to pension plan	521,618	445,486	967,104
NET POSITION			
Net investment in capital assets			
Restricted			
Capital projects	23,714,871	35,129,621	58,844,492
Debt service	15,118,951	21,762,305	36,881,256
Unrestricted	137,090,444	196,662,438	333,752,882
	<u>823,388,673</u>	<u>1,108,732,261</u>	<u>1,932,120,934</u>
Total net position			
Total liabilities, deferred inflows of resources and net position			
	<u>\$ 1,327,832,768</u>	<u>\$ 1,800,948,053</u>	<u>\$ 3,128,780,821</u>

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Residential and commercial sales	\$ 158,860,825	\$ 201,418,539	\$ 360,279,364
Intermunicipal sewer charges	--	43,408,413	43,408,413
Other operating revenue	5,015,315	7,083,659	12,098,974
Income from jobbing, contract work and miscellaneous revenues	<u>7,069,352</u>	<u>--</u>	<u>7,069,352</u>
Total operating revenues	<u>170,945,492</u>	<u>251,910,611</u>	<u>422,856,103</u>
OPERATING EXPENSES			
Power and pumping	5,991,337	--	5,991,337
General and electrical maintenance	6,052,038	--	6,052,038
Purification	13,888,584	--	13,888,584
Laboratory services	2,782,649	--	2,782,649
Transmission and distribution	22,389,216	--	22,389,216
Customer service	7,095,014	--	7,095,014
Mechanical maintenance	1,986,562	--	1,986,562
Customer accounting and collection	8,102,814	--	8,102,814
Sewage treatment and pumping	--	31,051,997	31,051,997
Sewer maintenance	--	39,505,164	39,505,164
Industrial and household waste control	--	1,593,859	1,593,859
Administrative and general	20,261,798	44,667,120	64,928,918
Depreciation and amortization	<u>22,565,048</u>	<u>37,713,934</u>	<u>60,278,982</u>
Total operating expenses	<u>111,115,060</u>	<u>154,532,074</u>	<u>265,647,134</u>
Operating income	<u>59,830,432</u>	<u>97,378,537</u>	<u>157,208,969</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	8,537,682	15,609,263	24,146,945
Interest expense and fiscal agent fees	(15,338,719)	(19,854,995)	(35,193,714)
Other	<u>(156,198)</u>	<u>(73,735)</u>	<u>(229,933)</u>
Total nonoperating revenues (expenses)	<u>(6,957,235)</u>	<u>(4,319,467)</u>	<u>(11,276,702)</u>
Excess of revenues over expenses before capital contributions and transfers	52,873,197	93,059,070	145,932,267
Capital contributions	4,306,335	7,593,230	11,899,565
Payment-in-lieu of taxes	<u>(2,793,824)</u>	<u>(3,606,848)</u>	<u>(6,400,672)</u>
Increase in net position	54,385,708	97,045,452	151,431,160
Net position, beginning of year as previously reported	823,388,673	1,108,732,261	1,932,120,934
Prior period adjustment for change in accounting principle	<u>(2,060,486)</u>	<u>(1,841,161)</u>	<u>(3,901,647)</u>
Net position, beginning of year, restated	821,328,187	1,106,891,100	1,928,219,287
Net position, end of year	<u>\$ 875,713,895</u>	<u>\$ 1,203,936,552</u>	<u>\$ 2,079,650,447</u>

The accompanying notes are an integral
part of these financial statements.

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING REVENUES			
Residential and commercial sales	\$ 156,118,392	\$ 185,478,250	\$ 341,596,642
Intermunicipal sewer charges	--	33,517,836	33,517,836
Other operating revenue	4,011,261	6,463,802	10,475,063
Income from jobbing, contract work and miscellaneous revenues	7,084,210	--	7,084,210
	<u>167,213,863</u>	<u>225,459,888</u>	<u>392,673,751</u>
OPERATING EXPENSES			
Power and pumping	5,953,828	--	5,953,828
General and electrical maintenance	6,827,393	--	6,827,393
Purification	14,156,235	--	14,156,235
Laboratory services	2,914,501	--	2,914,501
Transmission and distribution	18,678,483	--	18,678,483
Customer service	7,087,348	--	7,087,348
Mechanical maintenance	2,205,877	--	2,205,877
Customer accounting and collection	7,597,356	--	7,597,356
Sewage treatment and pumping	--	35,705,684	35,705,684
Sewer maintenance	--	36,805,512	36,805,512
Industrial and household waste control	--	1,470,939	1,470,939
Administrative and general	23,460,691	50,906,139	74,366,830
Depreciation and amortization	21,354,867	33,656,813	55,011,680
	<u>110,236,579</u>	<u>158,545,087</u>	<u>268,781,666</u>
Operating income	<u>56,977,284</u>	<u>66,914,801</u>	<u>123,892,085</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,265,617	1,455,586	2,721,203
Interest expense and fiscal agent fees	(12,984,672)	(12,347,984)	(25,332,656)
Other	53,426	29,550	82,976
	<u>(11,665,629)</u>	<u>(10,862,848)</u>	<u>(22,528,477)</u>
Excess of revenues over expenses before capital contributions and transfers	45,311,655	56,051,953	101,363,608
Capital contributions	4,764,615	10,849,031	15,613,646
Payment-in-lieu of taxes	(1,893,742)	(2,502,435)	(4,396,177)
Increase in net position	48,182,528	64,398,549	112,581,077
Net position, beginning of year	775,206,145	1,044,333,712	1,819,539,857
Net position, end of year	<u>\$ 823,388,673</u>	<u>\$ 1,108,732,261</u>	<u>\$ 1,932,120,934</u>

The accompanying notes are an integral
part of these financial statements.

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF CASH FLOWS

Year Ended April 30, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING ACTIVITIES			
Cash received from customers	\$ 170,106,100	\$ 250,315,679	\$ 420,421,779
Receipts from interfund services provided	4,679,878	1,005,261	5,685,139
Cash paid to employees, including benefits	(34,813,961)	(34,500,261)	(69,314,222)
Cash paid to suppliers	(50,016,743)	(92,543,311)	(142,560,054)
Cash paid for interfund services used	(6,276,952)	(9,928,506)	(16,205,458)
Net cash flow from operating activities	<u>83,678,322</u>	<u>114,348,862</u>	<u>198,027,184</u>
NONCAPITAL FINANCING ACTIVITIES			
Payment-in-lieu of taxes	(2,793,824)	(3,606,848)	(6,400,672)
Loan to Flood Control Fund	(1,479,173)	--	(1,479,173)
Net cash flow from noncapital financing activities	<u>(4,272,997)</u>	<u>(3,606,848)</u>	<u>(7,879,845)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(61,469,038)	(96,566,752)	(158,035,790)
Proceeds from issuance of revenue bonds	--	47,260,650	47,260,650
Principal payments on revenue bonds and notes payable	(19,625,000)	(22,890,692)	(42,515,692)
Refunding of bond principal	--	(54,459,957)	(54,459,957)
Fiscal agent fees and interest paid on revenue bonds and notes payable	(16,653,261)	(21,520,461)	(38,173,722)
Debt issuance costs	--	(313,268)	(313,268)
Proceeds from sale of capital assets	390,285	19,236	409,521
Proceeds from repayment of notes receivable	526,277	--	526,277
Net cash flow from capital and related financing activities	<u>(96,830,737)</u>	<u>(148,471,244)</u>	<u>(245,301,981)</u>
INVESTING ACTIVITIES			
Investment purchases	(109,876,442)	(179,812,723)	(289,689,165)
Investment maturities and sales	111,855,476	214,466,644	326,322,120
Interest received on investments	4,908,539	8,548,103	13,456,642
Net cash flow from investing activities	<u>6,887,573</u>	<u>43,202,024</u>	<u>50,089,597</u>
Net change in cash and cash equivalents	(10,537,839)	5,472,794	(5,065,045)
Cash and cash equivalents, beginning of year	18,504,181	17,396,439	35,900,620
Cash and cash equivalents, end of year	<u>\$ 7,966,342</u>	<u>\$ 22,869,233</u>	<u>\$ 30,835,575</u>

The accompanying notes are an integral part of these financial statements.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating income	\$ 59,830,432	\$ 97,378,537	\$ 157,208,969
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	22,565,048	37,713,934	60,278,982
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources			
(Increase) decrease in:			
Accounts receivable	3,842,427	(595,378)	3,247,049
Inventories	348,893	161,127	510,020
Due from other funds	(84,002)	5,707	(78,295)
Deferred outflows related to pension plan	5,843,910	5,049,456	10,893,366
Deferred outflows related to OPEB	(488,787)	(436,759)	(925,546)
Decrease (increase) in:			
Accounts payable	(6,929,886)	(26,131,935)	(33,061,821)
Compensated absences	(26,840)	146,001	119,161
Accrued payroll and related expenses	325,785	153,053	478,838
Other liabilities	(5,988)	--	(5,988)
Due to other funds	(391,954)	84,001	(307,953)
Claims liability	162,855	2,388,318	2,551,173
Customer deposits	467,061	--	467,061
Net pension liability	(2,142,639)	(1,910,024)	(4,052,663)
Total other postemployment benefit liability	288,888	258,140	547,028
Deferred inflows related to pension plan	73,119	84,684	157,803
Total adjustments	<u>23,847,890</u>	<u>16,970,325</u>	<u>40,818,215</u>
Net cash flow from operating activities	<u>\$ 83,678,322</u>	<u>\$ 114,348,862</u>	<u>\$ 198,027,184</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR-END			
Unrestricted	\$ 5,995,258	\$ 9,848,885	\$ 15,844,143
Restricted	<u>1,971,084</u>	<u>13,020,348</u>	<u>14,991,432</u>
	<u>\$ 7,966,342</u>	<u>\$ 22,869,233</u>	<u>\$ 30,835,575</u>
NONCASH ACTIVITIES			
Contributions of capital assets	\$ 4,306,335	\$ 7,593,230	\$ 11,899,565
Change in fair value of investments	3,106,349	5,232,608	8,338,957
Accounts payable for purchase of capital assets	6,017,052	10,179,142	16,196,194

KC WATER
A Department of the City of Kansas City, Missouri

STATEMENT OF CASH FLOWS

Year Ended April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING ACTIVITIES			
Cash received from customers	\$ 159,133,861	\$ 218,535,722	\$ 377,669,583
Receipts from interfund services provided	5,025,098	487,548	5,512,646
Cash paid to employees, including benefits	(30,497,058)	(30,961,655)	(61,458,713)
Cash paid to suppliers	(48,826,464)	(87,032,081)	(135,858,545)
Cash paid for interfund services used	(6,545,240)	(10,447,535)	(16,992,775)
Net cash flow from operating activities	<u>78,290,197</u>	<u>90,581,999</u>	<u>168,872,196</u>
NONCAPITAL FINANCING ACTIVITIES			
Payment-in-lieu of taxes	(1,893,742)	(2,502,435)	(4,396,177)
Loan to Flood Control Fund	(15,241,653)	--	(15,241,653)
Net cash flow from noncapital financing activities	<u>(17,135,395)</u>	<u>(2,502,435)</u>	<u>(19,637,830)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(56,029,439)	(87,474,608)	(143,504,047)
Proceeds from issuance of revenue bonds	--	181,295,210	181,295,210
Principal payments on revenue bonds and notes payable	(19,610,000)	(19,959,800)	(39,569,800)
Fiscal agent fees and interest paid on revenue bonds and notes payable	(16,739,498)	(17,561,884)	(34,301,382)
Proceeds from sale of capital assets	158,339	208,735	367,074
Proceeds from repayment of notes receivable	597,866	--	597,866
Net cash flow from capital and related financing activities	<u>(91,622,732)</u>	<u>56,507,653</u>	<u>(35,115,079)</u>
INVESTING ACTIVITIES			
Investment purchases	(171,872,343)	(454,571,475)	(626,443,818)
Investment maturities and sales	206,649,713	311,406,117	518,055,830
Interest received on investments	(821,180)	(915,693)	(1,736,873)
Net cash flow from investing activities	<u>33,956,190</u>	<u>(144,081,051)</u>	<u>(110,124,861)</u>
Net increase in cash and cash equivalents	<u>3,488,260</u>	<u>506,166</u>	<u>3,994,426</u>
Cash and cash equivalents, beginning of year	15,015,921	16,890,273	31,906,194
Cash and cash equivalents, end of year	<u>\$ 18,504,181</u>	<u>\$ 17,396,439</u>	<u>\$ 35,900,620</u>

The accompanying notes are an integral part of these financial statements.

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating income	\$ 56,977,284	\$ 66,914,801	\$ 123,892,085
Adjustments to reconcile operating income to net cash flow from operating activities			
Depreciation and amortization	21,354,867	33,656,813	55,011,680
Changes in assets, deferred inflows of resources, liabilities and deferred outflows of resources			
Accounts receivable	(3,847,307)	(6,435,570)	(10,282,877)
Inventories	987,333	122,529	1,109,862
Due from other funds	224,076	(1,048)	223,028
Accounts payable	(3,046,119)	(6,393,562)	(9,439,681)
Compensated absences	67,548	(53,390)	14,158
Accrued payroll and related expenses	126,967	276,736	403,703
Due to other funds	2,578	(224,033)	(221,455)
Claims liability	1,937,067	376,549	2,313,616
Customer deposits	568,327	--	568,327
Net pension liability	(1,694,594)	(1,135,464)	(2,830,058)
Deferred outflows of resources - pensions	4,694,890	3,522,107	8,216,997
Deferred inflows of resources - pensions	(88,132)	(69,083)	(157,215)
Other postemployment benefit obligation	25,412	24,614	50,026
Total adjustments	<u>21,312,913</u>	<u>23,667,198</u>	<u>44,980,111</u>
Net cash provided by operating activities	<u>\$ 78,290,197</u>	<u>\$ 90,581,999</u>	<u>\$ 168,872,196</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT YEAR-END			
Unrestricted	\$ 4,297,595	\$ 6,499,609	\$ 10,797,204
Restricted	14,206,586	10,896,830	25,103,416
	<u>\$ 18,504,181</u>	<u>\$ 17,396,439</u>	<u>\$ 35,900,620</u>
NONCASH ACTIVITIES			
Contributions of capital assets	\$ 4,764,615	\$ 10,849,031	\$ 15,613,646
Change in fair value of investments	(1,864,122)	(1,915,553)	(3,779,675)
Accounts payable for purchase of capital assets	6,041,531	20,862,575	26,904,106

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The financial statements of the Water Services Department (KC Water or Department) of the City of Kansas City, Missouri (City) have been prepared in conformity with accounting principles generally accepted in the United States of America.

KC Water is comprised of the Water, Sewer and Storm funds, enterprise funds of the City of Kansas City, Missouri. The financial statements of KC Water present each major fund and the respective changes in their financial position and, where applicable, cash flows thereof as of April 30, 2019 and 2018, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements are not intended to present fairly the financial position of the City. The Water Fund is supported wholly by water service charges and is responsible for the administration, promotion, operation and maintenance of the water system. The Sewer Fund includes sewer and stormwater accounts. The Sewer Fund is supported wholly by sewer service charges and is responsible for the administration, promotion, operation and maintenance of the wastewater and stormwater systems.

Basis of Accounting and Presentation

The financial statements of KC Water have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in non-operating revenues and expenses. KC Water first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Cash and Cash Equivalents

For purposes of the statements of cash flows, KC Water's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments

All investments are reported at fair value. The fair value of marketable securities is based on quotations that are generally obtained from national securities exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or pricing services.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable balances are recorded at the invoiced amount. KC Water provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Revenue Recognition

Revenues are recognized when earned. Unbilled revenue representing estimated consumer usage for the period between the last billing date and the end of the period is accrued by the Department.

Inventories

Inventories, consisting of repair parts, materials, supplies, chemicals, rock and fuel, are valued at cost.

Prepaid Bond Insurance

Prepaid bond insurance, net of accumulated amortization, represents insurance costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Capital Assets and Depreciation/Amortization

Capital assets are stated at cost, including capitalized interest on construction, prior to the adoption of Governmental Accounting Standards Board Statement No. 89, or estimated historical cost. These include assets funded by revenue and general obligation bonds, contributions and special assessments. Contributed assets are valued at acquisition value at the date of contribution. KC Water has a capitalization threshold of \$100,000 for building improvements, \$25,000 for land improvements, and \$5,000 for all other capitalizable assets.

Depreciation is provided on the straight-line method. Buildings, water lines and improvements are depreciated on a composite basis ranging from 40 to 100 years. Machinery and equipment are depreciated on a unit basis over useful lives of 3 to 20 years. Sewer and storm lines are depreciated on a composite basis with a useful life of 100 and 40 years, respectively. Treatment plants and other facilities are depreciated on a composite basis with useful lives of 25 to 55 years. Green infrastructure is depreciated on a composite basis with useful lives of 25 to 100 years. Land improvements are depreciated on a composite basis with useful lives of 20 to 30 years.

At the time of retirement or other disposition of assets for which depreciation is computed on the composite method, the original cost of the assets, net of any proceeds from their sale, are removed from the asset and accumulated depreciation accounts and no retirement gain or loss is recorded. For retirements or dispositions of assets for which depreciation is computed on the unit method, the asset and related depreciation accounts are eliminated and the difference between the net carrying value and any proceeds is recorded as a gain or loss.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any conspicuous or known events, or changes in circumstances, affecting a capital asset are reviewed by the Department to determine whether there is a significant and unexpected decline in the service utility of the capital asset, which could indicate asset impairment.

Expenses for maintenance and repairs of property are charged to operations as incurred.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Department that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Water Fund – As of April 30, 2019 and 2018, the Water Fund's deferred outflows of resources of \$8,825,871 and \$14,589,493, respectively, were comprised of deferred losses on bond refundings, deferred outflows related to pension, and deferred outflows related to OPEB. As of April 30, 2019 and 2018, the Water Fund's deferred inflows of resources of \$594,737 and \$521,618, respectively, were comprised of deferred inflows related to pension.

Sewer Fund – As of April 30, 2019 and 2018, the Sewer Fund's deferred outflows of resources of \$8,409,268 and \$12,226,490, respectively, were comprised of deferred losses on bond refundings, deferred outflows related to pension, and deferred outflows related to OPEB. As of April 30, 2019 and 2018, the Sewer Fund's deferred inflows of resources of \$530,170 and \$445,486, respectively, were comprised of deferred inflows related to pension.

Compensated Absences

Under the terms of the City's personnel policy, KC Water employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at the annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period. The maximum amount of vacation that may be carried forward, which is accrued in the Water and Sewer Funds, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit.

Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; and employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Plan

For the purpose of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employees' Retirement System (Plan) and additions/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employer contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for the retirement plan description.

Net Position

Net position of each major fund is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets, net of unspent proceeds. Restricted net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to each respective fund, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Adoption of New Accounting Standard

In 2019, the Department adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 10 for additional information about the impact of implementing the provisions of this standard.

In 2019, the Department adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expense in the period in which the costs are incurred. The Department has implemented the provisions of GASB 89 on a prospective basis, as required by the standard. Thus, there was no impact to previously reported amounts.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Not Yet Adopted

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). The statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this standard. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments based on the principle that leases are financing of the right to use an underlying asset.

The main rules of GASB 87 with respect to government entities that are lessees require that the lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability, and (c) note disclosures about the lease.

Under GASB 87, government entities that are lessors must:

- Recognize: (a) a lease receivable, and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable, and (c) note disclosures about the lease.

GASB 87 provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. GASB 87 also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements), and leases with related parties. The provisions of this statement are effective for the Department for the year ending April 30, 2021.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88): GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90). GASB 90's primary objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 defines a majority equity interest and specifies these reporting requirements. The provisions of this statement are effective for the Department for the year ending April 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB 91). The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of this statement are effective for the Department for the year ending April 30, 2022.

The Department has not completed its assessment of the impact of the adoption of these statements.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements and other investments with maturities of less than five years. The Department's allocation of this pool was approximately 49.15% and 47.39% as of April 30, 2019 and 2018, respectively. As of April 30, 2019 and 2018, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account was approximately \$43,755,000 and \$30,015,000, respectively, which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. The Department's allocation of deposits was \$20,538,472 and \$14,603,543 at April 30, 2019 and 2018, respectively.

The City of Kansas City, Missouri is empowered by City Charter to invest in the following types of securities:

1. *United States Treasury Securities (Bills, Notes, Bonds and Strips)*. The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. *United States Agency/GSE Securities*. The City may invest in obligations issued or guaranteed by any agency of the United States government and in obligations issued by any government-sponsored enterprise (GSE) that has a liquid market and a readily determinable market value that are described as follows:
 - a. U.S. Government Agency Coupon and Zero Coupon Securities.
 - b. U.S. Government Agency Callable Securities. Restricted to securities callable at par only.
 - c. U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.
 - d. U.S. Government Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.
 - e. U.S. Government Agency Mortgage-Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than five (5) years when analyzed in a +300 basis point interest rate environment.
3. *Repurchase Agreements*. The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

4. *Bankers' Acceptances.* The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
5. *Commercial Paper.* The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City's aggregate investment portfolio.
6. *Municipal Securities (State and Local Government Obligations).* The City may invest in municipal obligations that are issued in either tax-exempt or taxable form. The City's portfolio may not contain municipal obligations of any one issuer, the total value of which exceeds two percent (2%) of the City's aggregate investment portfolio, unless the obligation is pre-refunded or escrowed to maturity with securities guaranteed by the United States government.
 - a. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
 - b. Any full faith and credit obligations of any city, county or school district in the State of Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - c. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least A or Aa2 by Standard and Poor's or Moody's.
 - d. Any full faith and credit obligation of any state or territory of the United States of America rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - e. Any full faith and credit obligations of any city, county or school district in any state or territory of the United States of America rated at least AAA or Aaa by Standard and Poor's or Moody's.
 - f. Any revenue bonds issued by the Missouri Department of Transportation rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - g. Any municipal obligation that is pre-refunded or escrowed to maturity as to both principal and interest with escrow securities that are fully guaranteed by the United States government, without regard to rating by Standard and Poor's or Moody's.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any security owned to a maximum of five years. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Blended Bloomberg Barclay, U.S. Treasury/Agency 1-3 year Government/Agency index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates. As of April 30, 2019, the City had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				Weighted Average
		Less than 1	1 - 2	2 - 3	3 - 5	
Pooled investments						
U.S. Treasury bills	\$ 89,286	\$ 89,286	\$ --	\$ --	\$ --	0.33
U.S. Treasury notes/bonds	184,619	79,873	16,977	19,946	67,823	2.07
U.S. Agency discounts	7,499	7,499	--	--	--	0.01
U.S. Agencies- noncallable	624,693	162,899	114,634	76,638	270,522	2.51
U.S. Agencies- callable	228,300	66,996	51,118	70,950	39,236	1.87
Total pooled	<u>1,134,397</u>	<u>406,553</u>	<u>182,729</u>	<u>167,534</u>	<u>377,581</u>	<u>2.12</u>
Non-pooled investments						
U.S. Treasury notes/bonds	22,354	14,924	7,430	--	--	0.59
U.S. Agency discounts	36,747	36,747	--	--	--	0.28
U.S. Agencies- noncallable	124,429	92,228	32,201	--	--	0.66
U.S. Agencies- callable	8,357	1,991	2,448	2,934	984	1.59
Total non-pooled	<u>191,887</u>	<u>145,890</u>	<u>42,079</u>	<u>2,934</u>	<u>984</u>	<u>0.62</u>
	<u>\$ 1,326,284</u>	<u>\$ 552,443</u>	<u>\$ 224,808</u>	<u>\$ 170,468</u>	<u>\$ 378,565</u>	<u>1.90</u>

The Department's allocation of pooled investments at April 30, 2019 was \$560,872,903. The Department's non-pooled investments at April 30, 2019 were \$153,015,827.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of April 30, 2018, the City had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				Weighted Average
		Less than 1	1 - 2	2 - 3	3 - 5	
Pooled investments						
U.S. Treasury bills	\$ 34,852	\$ 34,852	\$ --	\$ --	\$ --	0.23
U.S. Treasury notes/bonds	208,656	97,682	74,653	16,885	19,436	1.24
U.S. Agency discounts	19,948	19,948	--	--	--	0.15
U.S. Agencies- noncallable	608,153	219,430	146,667	113,372	128,684	1.84
U.S. Agencies- callable	153,000	31,478	--	21,904	99,618	3.05
Total pooled	1,024,609	403,390	221,320	152,161	247,738	1.79
Non-pooled investments						
U.S. Treasury bills	57,343	57,343	--	--	--	0.15
U.S. Treasury notes/bonds	44,471	27,320	9,805	7,346	--	1.11
U.S. Agency discounts	24,848	24,848	--	--	--	0.32
U.S. Agencies- noncallable	163,313	74,331	81,663	7,319	--	1.02
U.S. Agencies- callable	17,036	--	1,972	12,176	2,888	2.39
Total non-pooled	307,011	183,842	93,440	26,841	2,888	0.90
	<u>\$ 1,331,620</u>	<u>\$ 587,232</u>	<u>\$ 314,760</u>	<u>\$ 179,002</u>	<u>\$ 250,626</u>	<u>1.59</u>

The Department's allocation of pooled investments at April 30, 2018 was \$485,197,861. The Water Fund's non-pooled investments at April 30, 2018 were \$267,441,678.

Some of the restricted assets are held by a trustee associated with the proceeds from sewer state revolving bonds within the Sewer Fund. The amount held by the trustee includes investments that are insured or registered or for which securities are held by the Sewer Fund or its agent in the Sewer Fund's name or under joint agreements. Restricted assets held by the trustee were \$3,329,240 and \$3,872,403 at April 30, 2019 and 2018, respectively, and consisted primarily of money market funds.

Callable Agency Securities – The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2019 and 2018, the total fair value of the City's callable bond portfolio (pooled and non-pooled) is \$236,657,000 and \$170,036,000, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to prevent over concentration by investment type and thereby mitigate credit risk, the City's investment policy provides for diversification of the portfolio by investment type as follows:

<u>Investment Type</u>	<u>Maximum</u>
U.S. Treasury securities and government guaranteed securities	100%
Collateralized time and demand deposits	100%
U.S. government agency and GSE securities	80%
Collateralized repurchase agreements	50%
U.S. agency callable securities	30%
Commercial paper	30%
Bankers acceptances	30%
Qualified municipal obligations	30%

As of April 30, 2019, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	<u>Fair Value</u>	<u>Moody's/ S&P Ratings</u>
U.S. Agency securities	\$1,030,025	Aaa/AA+

As of April 30, 2018, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	<u>Fair Value</u>	<u>Moody's/ S&P Ratings</u>
U.S. Agency securities	\$986,298	Aaa/AA+

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party (*i.e.*, the City's safekeeping institution).

The City's investment policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102 percent of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2019 and 2018, all deposits were adequately and fully collateralized.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investment policy required that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2019 and 2018, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. government guaranteed) or U.S. agency (Aaa/AA+ rated) obligations. In addition, there are three Irrevocable Letters of Credit issued in the City's favor by the Federal Home Loan Bank, two in the amount of \$5,000,000 each, and one in the amount of \$2,000,000, to secure Certificates of Deposit. The three Letters of Credit expire November 18, 2019, December 16, 2020, and May 30, 2019, respectively, and are safekept in the City's cash vault in the Cash Operations section of the Treasury Division.

Concentration of Credit Risk

At April 30, 2019, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 14%, 31%, 15% and 17%, respectively, of the City's total investments.

At April 30, 2018, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 7%, 31%, 13% and 21%, respectively, of the City's total investments.

In the City's opinion, the debt securities issued by these agencies do not have an explicit government guarantee, but rather an implied guarantee and, therefore, the City does not impose limits as to the concentration of any one agency. However, total agency securities in the portfolio are limited by the investment policy to 80% of the total portfolio value.

Summary

The following is a complete listing of cash and investments held by KC Water at April 30, 2019 and 2018:

	2019		
	Water	Sewer	Total
Deposits	\$ 7,965,139	\$ 12,573,333	\$ 20,538,472
Pooled investments	220,885,192	339,987,711	560,872,903
Non-pooled investments	29,833,336	123,182,491	153,015,827
Trustee accounts	--	3,329,240	3,329,240
	\$ 258,683,667	\$ 479,072,775	\$ 737,756,442

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (CONTINUED)

	2018		
	Water	Sewer	Total
Deposits	\$ 6,031,681	\$ 8,571,862	\$ 14,603,543
Pooled investments	199,920,510	285,277,351	485,197,861
Non-pooled investments	62,142,000	205,299,678	267,441,678
Trustee accounts	--	3,872,403	3,872,403
	<u>\$ 268,094,191</u>	<u>\$ 503,021,294</u>	<u>\$ 771,115,485</u>

The deposits and investments of KC Water at April 30, 2019 and 2018 are reflected in the statements of net position as follows:

	2019		
	Water	Sewer	Total
Current assets			
Unrestricted			
Cash and cash equivalents	\$ 5,995,258	\$ 9,848,885	\$ 15,844,143
Investments	14,479,008	23,806,826	38,285,834
Restricted			
Cash and cash equivalents	1,971,084	13,020,348	14,991,432
Investments	16,236,164	10,758,738	26,994,902
Non-current assets			
Investments	151,711,887	249,449,307	401,161,194
Restricted investments	68,290,266	172,188,671	240,478,937
	<u>\$ 258,683,667</u>	<u>\$ 479,072,775</u>	<u>\$ 737,756,442</u>

	2018		
	Water	Sewer	Total
Current assets			
Unrestricted			
Cash and cash equivalents	\$ 4,297,595	\$ 6,499,609	\$ 10,797,204
Investments	16,160,547	24,480,237	40,640,784
Restricted			
Cash and cash equivalents	14,206,586	10,896,830	25,103,416
Investments	6,531,290	85,048,457	91,579,747
Non-current assets			
Investments	126,217,735	191,196,502	317,414,237
Restricted investments	100,680,438	184,899,659	285,580,097
	<u>\$ 268,094,191</u>	<u>\$ 503,021,294</u>	<u>\$ 771,115,485</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

3. ACCOUNTS RECEIVABLE

A summary of accounts receivable at April 30, 2019 and 2018 is as follows:

	2019		
	Water	Sewer	Total
Residential and commercial customers	\$ 23,728,779	\$ 30,599,907	\$ 54,328,686
Unbilled utility revenue	9,045,531	11,991,247	21,036,778
Intermunicipal sewer customers	--	13,529,887	13,529,887
Other accounts receivable	581,566	63,936	645,502
	<u>33,355,876</u>	<u>56,184,977</u>	<u>89,540,853</u>
Allowance for doubtful accounts	(12,858,492)	(16,943,034)	(29,801,526)
Net accounts receivable	<u>\$ 20,497,384</u>	<u>\$ 39,241,943</u>	<u>\$ 59,739,327</u>
	2018		
	Water	Sewer	Total
Residential and commercial customers	\$ 25,934,393	\$ 30,813,229	\$ 56,747,622
Unbilled utility revenue	10,001,844	12,880,683	22,882,527
Intermunicipal sewer customers	--	8,741,622	8,741,622
Other accounts receivable	521,112	89,107	610,219
	<u>36,457,349</u>	<u>52,524,641</u>	<u>88,981,990</u>
Allowance for doubtful accounts	(12,117,538)	(13,878,076)	(25,995,614)
Net accounts receivable	<u>\$ 24,339,811</u>	<u>\$ 38,646,565</u>	<u>\$ 62,986,376</u>

4. NOTES RECEIVABLE

The Water Fund has built several major transmission mains to reach wholesale customers. These customers agree to pay for a proportionate share of the main based on their projected use of the capacity. At the time they start using the main, they can either pay the entire amount or pay the Water Fund over a time period at an interest rate related to the bond interest rate. The monthly payment is included in their water billing. Notes receivable outstanding consist of the following issues at April 30, 2019 and 2018:

Customer	Interest Rates	Loan Completion Date	2019	2018
Dogwood Energy	5.565%	February 2023	\$ 1,203,451	\$ 1,466,368
Platte County PWSD #2	4.126%	April 2026	189,476	212,354
City of Dearborn	4.126%	April 2026	115,602	161,286
Lee's Summit	4.238%	March 2028	1,738,834	1,896,022
Cass County PWSD #10	4.238%	November 2029	512,755	550,365
			<u>3,760,118</u>	<u>4,286,395</u>
Current portion			(552,588)	(526,276)
Non-current portion			<u>\$ 3,207,530</u>	<u>\$ 3,760,119</u>

KC WATER

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NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2019 is as follows:

Water Fund	May 1, 2018	Additions	Retirements/ Adjustments	April 30, 2019
Depreciable assets				
Buildings	\$ 183,061,164	\$ 7,151,709	\$ (2,992,911)	\$ 187,219,962
Utility lines and improvements	912,195,201	48,013,483	(11,121,241)	949,087,443
Machinery and equipment	99,000,740	16,135,261	(14,477,630)	100,658,371
Total depreciable assets	<u>1,194,257,105</u>	<u>71,300,453</u>	<u>(28,591,782)</u>	<u>1,236,965,776</u>
Accumulated depreciation				
Buildings	(74,342,283)	(3,266,728)	2,992,910	(74,616,101)
Utility lines and improvements	(113,552,862)	(13,412,741)	5,386,188	(121,579,415)
Machinery and equipment	(38,822,284)	(5,885,579)	14,238,338	(30,469,525)
Total accumulated depreciation	<u>(226,717,429)</u>	<u>(22,565,048)</u>	<u>22,617,436</u>	<u>(226,665,041)</u>
Total depreciable assets, net	<u>967,539,676</u>	<u>48,735,405</u>	<u>(5,974,346)</u>	<u>1,010,300,735</u>
Nondepreciable assets				
Land and permanent right of ways	4,902,914	12,013	5,405,236	10,320,163
Construction in process	23,750,566	57,885,884	(57,666,868)	23,969,582
Total nondepreciable assets	<u>28,653,480</u>	<u>57,897,897</u>	<u>(52,261,632)</u>	<u>34,289,745</u>
Capital assets, net	<u>\$ 996,193,156</u>	<u>\$ 106,633,302</u>	<u>\$ (58,235,978)</u>	<u>\$ 1,044,590,480</u>
Sewer Fund				
Depreciable assets				
Sewage treatment plant and other facilities	\$ 339,497,071	\$ 7,332,850	\$ (5,409,347)	\$ 341,420,574
Sewer lines	1,069,971,069	94,114,485	(5,508,807)	1,158,576,747
Equipment	158,473,765	16,778,011	(12,320,585)	162,931,191
Land improvements	9,929,089	436,124	(2,073,684)	8,291,529
Green infrastructure	8,671,373	2,084,996	--	10,756,369
Total depreciable assets	<u>1,586,542,367</u>	<u>120,746,466</u>	<u>(25,312,423)</u>	<u>1,681,976,410</u>
Accumulated depreciation				
Sewage treatment plant and other facilities	(216,135,602)	(8,480,750)	5,409,353	(219,206,999)
Sewer lines	(129,564,686)	(17,375,351)	4,687,109	(142,252,928)
Equipment	(55,720,416)	(11,490,455)	12,067,054	(55,143,817)
Land improvements	(438,641)	(184,279)	--	(622,920)
Green infrastructure	(72,042)	(183,099)	--	(255,141)
Total accumulated depreciation	<u>(401,931,387)</u>	<u>(37,713,934)</u>	<u>22,163,516</u>	<u>(417,481,805)</u>
Total depreciable assets, net	<u>1,184,610,980</u>	<u>83,032,532</u>	<u>(3,148,907)</u>	<u>1,264,494,605</u>
Nondepreciable assets				
Land and permanent right of ways	13,880,395	507,795	--	14,388,190
Construction in process	46,411,414	100,608,998	(104,397,349)	42,623,063
Total nondepreciable assets	<u>60,291,809</u>	<u>101,116,793</u>	<u>(104,397,349)</u>	<u>57,011,253</u>
Capital assets, net	<u>\$ 1,244,902,789</u>	<u>\$ 184,149,325</u>	<u>\$ (107,546,256)</u>	<u>\$ 1,321,505,858</u>
Total Department capital assets, net	<u>\$ 2,241,095,945</u>	<u>\$ 290,782,627</u>	<u>\$ (165,782,234)</u>	<u>\$ 2,366,096,338</u>

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NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended April 30, 2018 is as follows:

Water Fund	May 1, 2017	Additions	Retirements/ Adjustments	April 30, 2018
Depreciable assets				
Buildings	\$ 178,150,081	\$ 6,801,103	\$ (1,890,020)	\$ 183,061,164
Utility lines and improvements	845,509,347	71,946,325	(5,260,471)	912,195,201
Machinery and equipment	99,023,157	3,223,758	(3,246,175)	99,000,740
Total depreciable assets	<u>1,122,682,585</u>	<u>81,971,186</u>	<u>(10,396,666)</u>	<u>1,194,257,105</u>
Accumulated depreciation				
Buildings	(73,278,817)	(2,953,486)	1,890,020	(74,342,283)
Utility lines and improvements	(106,087,875)	(12,725,457)	5,260,470	(113,552,862)
Machinery and equipment	(36,360,886)	(5,552,740)	3,091,342	(38,822,284)
Total accumulated depreciation	<u>(215,727,578)</u>	<u>(21,231,683)</u>	<u>10,241,832</u>	<u>(226,717,429)</u>
Total depreciable assets, net	<u>906,955,007</u>	<u>60,739,503</u>	<u>(154,834)</u>	<u>967,539,676</u>
Nondepreciable assets				
Land and permanent right of ways	4,178,312	724,602	--	4,902,914
Construction in process	38,215,233	54,012,879	(68,477,546)	23,750,566
Total nondepreciable assets	<u>42,393,545</u>	<u>54,737,481</u>	<u>(68,477,546)</u>	<u>28,653,480</u>
Capital assets, net	<u>\$ 949,348,552</u>	<u>\$ 115,476,984</u>	<u>\$ (68,632,380)</u>	<u>\$ 996,193,156</u>
Sewer Fund				
Depreciable assets				
Sewage treatment plant and other facilities	\$ 339,584,763	\$ 13,649,992	\$ (13,737,684)	\$ 339,497,071
Sewer lines	962,542,618	115,670,216	(8,241,765)	1,069,971,069
Equipment	126,592,273	37,522,903	(5,641,411)	158,473,765
Land improvements	--	9,874,427	54,662	9,929,089
Green infrastructure	--	8,671,373	--	8,671,373
Total depreciable assets	<u>1,428,719,654</u>	<u>185,388,911</u>	<u>(27,566,198)</u>	<u>1,586,542,367</u>
Accumulated depreciation				
Sewage treatment plant and other facilities	(221,559,092)	(8,261,658)	13,685,148	(216,135,602)
Sewer lines	(122,178,690)	(15,627,759)	8,241,763	(129,564,686)
Equipment	(51,599,049)	(9,258,839)	5,137,472	(55,720,416)
Land improvements	--	(436,515)	(2,126)	(438,641)
Green infrastructure	--	(72,042)	--	(72,042)
Total accumulated depreciation	<u>(395,336,831)</u>	<u>(33,656,813)</u>	<u>27,062,257</u>	<u>(401,931,387)</u>
Total depreciable assets, net	<u>1,033,382,823</u>	<u>151,732,098</u>	<u>(503,941)</u>	<u>1,184,610,980</u>
Nondepreciable assets				
Land and permanent right of ways	13,401,078	479,317	--	13,880,395
Construction in process	110,498,840	102,502,021	(166,589,447)	46,411,414
Total nondepreciable assets	<u>123,899,918</u>	<u>102,981,338</u>	<u>(166,589,447)</u>	<u>60,291,809</u>
Capital assets, net	<u>\$ 1,157,282,741</u>	<u>\$ 254,713,436</u>	<u>\$ (167,093,388)</u>	<u>\$ 1,244,902,789</u>
Total Department capital assets, net	<u>\$ 2,106,631,293</u>	<u>\$ 370,190,420</u>	<u>\$ (235,725,768)</u>	<u>\$ 2,241,095,945</u>

KC WATER

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NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS

Revenue bonds and notes payable outstanding consist of the following issues at April 30, 2019 and 2018:

Issue	Interest Rates	Maturities Through	2019	2018
Water Fund				
Series 2008A	4.66%	December 2027	\$ 20,390,000	\$ 22,175,000
Series 2009A	2.00 - 5.25%	December 2032	87,375,000	97,625,000
Series 2012A	1.00 - 5.00%	December 2036	37,770,000	39,255,000
Series 2013A	2.00 - 4.00%	December 2037	49,335,000	51,090,000
Series 2014A	2.00 - 5.00%	December 2038	48,645,000	50,280,000
Series 2015A	3.25 - 5.00%	December 2039	57,395,000	58,380,000
Series 2017A	3.00 - 5.00%	December 2041	73,970,000	75,700,000
Sewer Fund				
State Series 1998A	3.90% - 5.25%	January 2019	--	695,000
State Series 1999A	3.625% - 5.25%	January 2020	445,000	870,000
State Series 2000A	4.60% - 5.75%	July 2020	1,565,000	2,320,000
State Series 2000B	4.25% - 5.625%	July 2020	1,410,000	2,090,000
Stormwater 2000	1.70%	December 2020	146,800	218,800
Stormwater 2001 & 2002	1.60%	December 2021	989,000	1,313,000
State Series 2001B	3.00% - 5.375%	July 2022	4,090,000	5,050,000
State Series 2002J	2.00% - 5.50%	July 2022	2,445,000	3,015,000
State Series 2004H	3.00% - 5.25%	January 2025	3,680,000	4,235,000
Stormwater 2007	1.40%	June 2027	203,000	223,000
Series 2009A	2.50% - 5.25%	January 2034	--	53,105,000
State Series 2009B	1.48%	January 2030	8,700,600	9,390,900
Series 2011A	2.00% - 5.00%	January 2037	70,090,000	73,135,000
Series 2012A	2.00% - 5.00%	January 2037	62,130,000	65,245,000
Series 2016A	2.00% - 5.00%	January 2040	164,660,000	170,885,000
Series 2018A	3.125% - 5.00%	January 2042	160,285,000	165,000,000
Series 2018B	5.00%	January 2034	42,055,000	--
			897,774,400	951,295,700
Unamortized premiums			75,867,988	75,012,864
Unamortized discounts			(1,362,353)	(1,475,424)
Net revenue bonds and notes payable			972,280,035	1,024,833,140
Less current portion			(44,444,000)	(44,861,300)
Noncurrent portion of revenue bonds and notes payable			\$ 927,836,035	\$ 979,971,840

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NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

Changes in long-term obligations during the year ended April 30, 2019 are as follows:

	May 1, 2018				Due Within
	As Restated	Additions	Reductions	April 30, 2019	One Year
Water Fund					
Revenue bonds	\$ 394,505,000	\$ --	\$ (19,625,000)	\$ 374,880,000	\$ 20,425,000
Unamortized bond premium	27,349,057	--	(1,416,429)	25,932,628	--
Unamortized bond discount	(486,129)	--	22,739	(463,390)	--
Net pension liability	29,029,374	15,504,023	(17,646,662)	26,886,735	--
Net other postemployment benefit liability	7,523,688	568,409	(279,521)	7,812,576	--
Compensated absences	3,622,550	768,012	(794,852)	3,595,710	864,786
Claims payable	18,600,713	3,993,010	(3,830,155)	18,763,568	4,363,637
	<u>480,144,253</u>	<u>20,833,454</u>	<u>(43,569,880)</u>	<u>457,407,827</u>	<u>25,653,423</u>
Sewer Fund					
Revenue bonds	556,790,700	42,055,000	(75,951,300)	522,894,400	24,019,000
Unamortized bond premium	47,663,806	5,205,651	(2,934,097)	49,935,360	--
Unamortized bond discount	(989,294)	--	90,331	(898,963)	--
Net pension liability	24,792,427	13,820,829	(15,730,853)	22,882,403	--
Net other postemployment benefit liability	6,457,928	507,906	(249,766)	6,716,068	--
Compensated absences	2,796,349	684,494	(538,493)	2,942,350	761,801
Claims payable	7,725,334	6,458,436	(4,070,118)	10,113,652	2,371,329
	<u>645,237,250</u>	<u>68,732,316</u>	<u>(99,384,296)</u>	<u>614,585,270</u>	<u>27,152,130</u>
Total Water Fund	<u>480,144,253</u>	<u>20,833,454</u>	<u>(43,569,880)</u>	<u>457,407,827</u>	<u>25,653,423</u>
Total Sewer Fund	<u>645,237,250</u>	<u>68,732,316</u>	<u>(99,384,296)</u>	<u>614,585,270</u>	<u>27,152,130</u>
Total Department	<u>\$ 1,125,381,503</u>	<u>\$ 89,565,770</u>	<u>\$ (142,954,176)</u>	<u>\$ 1,071,993,097</u>	<u>\$ 52,805,553</u>

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A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

Changes in long-term obligations during the year ended April 30, 2018 are as follows:

	<u>May 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2018</u>	<u>Due Within One Year</u>
Water Fund					
Revenue bonds	\$ 414,115,000	\$ --	\$ (19,610,000)	\$ 394,505,000	\$ 19,625,000
Unamortized bond premium	28,765,487	--	(1,416,430)	27,349,057	--
Unamortized bond discount	(508,869)	--	22,740	(486,129)	--
Net pension liability	30,723,968	1,492,703	(3,187,297)	29,029,374	--
Net other postemployment benefit obligation	5,437,790	577,556	(552,144)	5,463,202	--
Compensated absences	3,555,002	708,296	(640,748)	3,622,550	873,522
Claims payable	16,663,646	5,621,922	(3,684,855)	18,600,713	4,189,080
Total Water Fund	<u>498,752,024</u>	<u>8,400,477</u>	<u>(29,068,734)</u>	<u>478,083,767</u>	<u>24,687,602</u>
Sewer Fund					
Revenue bonds	411,750,500	165,000,000	(19,959,800)	556,790,700	25,236,300
Unamortized bond premium	32,819,892	16,557,891	(1,713,977)	47,663,806	--
Unamortized bond discount	(764,785)	(262,682)	38,173	(989,294)	--
Net pension liability	25,927,891	1,586,635	(2,722,099)	24,792,427	--
Net other postemployment benefit obligation	4,592,153	507,130	(482,516)	4,616,767	--
Compensated absences	2,849,739	516,581	(569,971)	2,796,349	726,119
Claims payable	7,348,785	1,734,391	(1,357,842)	7,725,334	1,762,357
Total Sewer Fund	<u>484,524,175</u>	<u>185,639,946</u>	<u>(26,768,032)</u>	<u>643,396,089</u>	<u>27,724,776</u>
Total Department	<u>\$ 983,276,199</u>	<u>\$ 194,040,423</u>	<u>\$ (55,836,766)</u>	<u>\$ 1,121,479,856</u>	<u>\$ 52,412,378</u>

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NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

The annual requirements to retire the bonds and notes payable outstanding as of April 30, 2019 are as follows:

Year Ending April 30	Water Fund		Sewer Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	20,425,000	15,854,824	24,019,000	22,297,655	44,444,000	38,152,479
2021	21,245,000	15,011,019	24,500,300	21,258,576	45,745,300	36,269,595
2022	20,515,000	14,047,592	23,816,000	20,245,637	44,331,000	34,293,229
2023	21,315,000	13,207,645	23,576,600	19,264,679	44,891,600	32,472,324
2024	21,005,000	12,232,171	22,769,700	18,319,408	43,774,700	30,551,579
2025 - 2029	88,625,000	48,019,243	116,350,800	76,020,866	204,975,800	124,040,109
2030 - 2034	87,600,000	28,832,044	134,037,000	47,374,165	221,637,000	76,206,209
2035 - 2039	75,745,000	12,092,338	113,720,000	20,551,012	189,465,000	32,643,350
2040 - 2044	18,405,000	1,304,475	40,105,000	2,845,432	58,510,000	4,149,907
	<u>\$ 374,880,000</u>	<u>\$ 160,601,351</u>	<u>\$ 522,894,400</u>	<u>\$ 248,177,430</u>	<u>\$ 897,774,400</u>	<u>\$ 408,778,781</u>

On October 4, 2018, the Department issued Series 2018B Sewer Utility refunding revenue bonds in the amount of \$42,055,000 with a net interest cost of 3.67% with maturities through January 1, 2034. The bond proceeds were used to refund \$53,105,000 of Series 2009A Sewer Utility revenue bonds on a current basis. The Department completed the refunding to reduce its total debt service payments by \$10,807,615 and to obtain an economic gain (the difference between the present value of the old and new debt service payments) of \$5,558,072.

All funds obtained through the issuance of water revenue bonds are restricted for the purpose of extending and improving the facilities of the Water Fund. All debt service requirements are payable solely from revenues generated by the Water Fund. Under the terms of the ordinances enacted at the time of the issuance of the revenue bonds, the 2009A, 2012A, 2013A, 2014A, 2015A and 2017A bonds (Senior Bonds) share equal claim to the revenue generated by the Water Fund. The pledge of revenue is senior to the pledge of such revenues for the payment of the 2008A bonds (Subordinate Bond). The ordinances require the City to maintain adequate insurance coverage and establish the priority for the allocation of revenue generated by the Water Fund.

All funds obtained through the issuance of sewer revenue bonds are restricted for the purpose of extending and improving the sewerage system. All debt service requirements of these bonds are payable solely from revenues generated by the Sewer Fund. The revenue bond ordinances require the Sewer Fund to maintain adequate insurance coverage and employ an independent consulting engineer to evaluate the physical condition and operation of the sewerage system on a periodic basis. In addition, the ordinance established the priority for the allocation of revenue generated by the sewerage system.

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NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

After the Water and Sewer Funds meet normal operating and maintenance expenses of each fund, respectively, all remaining moneys are to be allocated to the following accounts in the order listed below:

Account	Restriction
Principal and interest	For the monthly accumulation of moneys to meet the maturing revenue bond principal and interest requirement. Each month, the City is to set aside 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment.
Construction	For recording bond proceeds to be used to finance construction.
Renewal and replacement	For the monthly accumulation of moneys, up to an amount equal to the prior year annual depreciation plus additional amounts to cover future budgeted capital improvements, to pay for the maintenance and replacements necessary to keep the system operating efficiently.

The bond ordinances also require that the Water and Sewer Funds establish additional reserve accounts for the retirement of the bonds totaling \$69,360,303 and \$74,120,466 at April 30, 2019, and 2018, respectively. However, in lieu of setting aside cash, the ordinances allow the Funds to obtain insurance policies. The Water and Sewer Funds have obtained insurance policies to satisfy \$15,304,827 per year of the reserve requirements. As of April 30, 2019 and 2018, both the Water and Sewer Fund's debt service coverage ratios were above the 130% threshold, so the remaining bond reserve accounts were not required to be funded.

Restricted accounts are reported on the accompanying statements of net position as restricted assets for 2019 and 2018 as follows:

	April 30, 2019		
	Water	Sewer	Total
Principal and interest	\$ 15,202,217	\$ 17,144,120	\$ 32,346,337
Construction	38,074,787	138,819,606	176,894,393
Renewal and replacement	30,169,926	41,279,123	71,449,049
Retention pond maintenance	--	53,514	53,514
Customer deposits	3,540,523	--	3,540,523
	<u>\$ 86,987,453</u>	<u>\$ 197,296,363</u>	<u>\$ 284,283,816</u>

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NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS AND RESTRICTED ASSETS (CONTINUED)

	April 30, 2018		
	Water	Sewer	Total
Principal and interest	\$ 15,395,672	\$ 17,171,558	\$ 32,567,230
Debt service revenue	--	5,008,338	5,008,338
Construction	73,503,324	218,645,538	292,148,862
Renewal and replacement	30,105,460	41,168,183	71,273,643
Retention pond maintenance	--	52,342	52,342
Customer deposits	3,064,256	--	3,064,256
	\$ 122,068,712	\$ 282,045,959	\$ 404,114,671

7. PLEDGED REVENUES

Water Fund – The City has pledged revenues of the Water Fund, net of specified operating expenses, to repay \$374,880,000 in water revenue bonds. The bonds were issued to provide improvements to the water system and facilities. The various issues and maturity dates are listed in Note 6.

The bonds are payable solely from the revenues derived by the Water Fund. Annual principal and interest payments on the bonds and capital leases are expected to require approximately 25% of net revenues on average over the next 23 years. The total principal and interest remaining to be paid on the bonds is \$535,481,351. Principal and interest paid for the year ended April 30, 2019 and total net revenues were \$36,270,267 and \$95,028,340, respectively.

Sewer Fund – The City has pledged revenues of the Sewer Fund, net of specified operating expenses, to repay \$522,894,400 in sewer system revenue bonds and loans. The bonds were issued to provide improvements to the sewer system and facilities. The loans were issued to fund stormwater basin studies and improvements. The various issues and maturity dates are listed in Note 6.

The bonds are payable solely from the revenues derived by the Sewer Fund. Total principal and interest remaining to be paid on those bonds is \$769,684,558 and is expected to require approximately 22% of net sewer revenues on average over the next 23 years. The stormwater loans are payable from stormwater revenues. Total principal and interest on those loans is \$1,387,272 and is expected to require more than what is available from the net stormwater revenues. Principal and interest paid for the year ended April 30, 2019 and net revenues for the Sewer Fund were \$43,925,088 and \$150,092,269, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

8. DUE TO/FROM OTHER CITY FUNDS

Amounts due to/from other City funds at April 30, 2019 were as follows:

<u>Payables</u>	<u>Receivables</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	
Water Fund	\$ --	\$ 305	\$ 305
Sewer Fund	113,853	--	113,853
Flood Control Fund	16,720,828	--	16,720,828
General Fund	--	2,290	2,290
	<u>\$ 16,834,681</u>	<u>\$ 2,595</u>	<u>\$ 16,837,276</u>

Amounts due to/from other City funds at April 30, 2018 were as follows:

<u>Payables</u>	<u>Receivables</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>General</u>	
Water Fund	\$ --	\$ 7,259	\$ 385,000	\$ 392,259
Sewer Fund	29,852	--	--	29,852
Flood Control Fund	15,241,654	--	--	15,241,654
General Fund	--	1,043	--	1,043
	<u>\$ 15,271,506</u>	<u>\$ 8,302</u>	<u>\$ 385,000</u>	<u>\$ 15,664,808</u>

Amounts due from and due to the Water and Sewer Funds represent reimbursement of operating costs between the two funds. Amounts due from and due to the General Fund represent reimbursement of operating costs between the funds.

In 2018, the Water Fund transferred \$15,241,654 to the City's Flood Control Fund to assist with flood control projects. During 2019, the City's Flood Control Fund repaid 7,620,826 of this amount and the Water Fund advanced an additional \$9,100,000. This receivable is recorded on the statement of net position as due from other funds and is expected to be repaid with general obligation bonds issued by the City in Fiscal year 2020 and 2021. The notes bear interest at a rate of 2.00%.

9. PAYMENT-IN-LIEU OF TAXES (PILOT) AND ADMINISTRATIVE SERVICE FEES

The Water and Sewer Funds are exempt from federal and state income taxes and local property taxes because they are enterprise funds of the City of Kansas City, Missouri. However the funds are required by a City Ordinance to pay a percentage of gross operating revenues to the General Fund of the City of Kansas City, Missouri. The payment-in-lieu of tax was established at 1.0% of residential and commercial revenue, effective as of May 1, 2016, and increased to 1.5% as of May 1, 2017. Management does not consider the amount transferred for the PILOT to be commensurate with the services received. As such, management has classified this as a transfer on the statement of revenues, expenses and changes in net position.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

9. PAYMENT-IN-LIEU OF TAXES (PILOT) AND ADMINISTRATIVE SERVICE FEES (CONTINUED)

In addition to these PILOT payments, the Water and Sewer Funds make payments to the General Fund of the City for office space and certain administrative, data processing and accounting services. For the years ended April 30, 2019 and 2018, total payments for administrative and general expenses and transfers for PILOT's are as follows:

	2019	2018
Water Fund		
Administrative, data processing and accounting	\$ 5,223,644	\$ 5,440,070
Overhead allocation for self-insured claims	162,855	6,164,455
PILOT	2,793,824	1,893,742
Sewer Fund		
Administrative, data processing and accounting	5,274,619	5,592,944
Overhead allocation for self-insured claims	2,388,319	2,682,158
PILOT	3,606,848	2,502,435
	\$ 19,450,109	\$ 24,275,804

The Water Fund provides billing and collection services for the City of Kansas City, Missouri Sewer Fund and charged the City of Kansas City, Missouri Sewer Fund \$4,505,845 and \$4,522,070 for these services for the years ended April 30, 2019 and 2018, respectively.

10. EMPLOYEES' RETIREMENT SYSTEM

The City sponsors a contributory, single-employer defined benefit pension plan, the Employees' Retirement System (Plan), covering substantially all employees of the Department. However, for purposes of the Department's financial statements, the City has allocated the pension related items and the Department has disclosed the Plan as a cost-sharing multiple employer defined benefit pension plan in accordance with the requirements of GASB statement No. 68.

The Board of Trustees of the Employees' Retirement System of the City of Kansas City, Missouri (Board) administers the Plan.

The Plan was established in the code of ordinances under Part II, Chapter II, Article IX, Division 2, Section 2-1172 which states, "All full-time, permanent employees in the classified and unclassified services shall become members of the retirement system as a condition of employment, including all full-time, permanent former Metropolitan Ambulance Service Trust (MAST) employees who became city employees as of April 25, 2010, and who did not become members of the Firefighters' Pension System. Former MAST employees have the option within 60 days of the passage of this ordinance to elect to become members of this plan in lieu of participation in the defined contribution plan set out in Division 10. Also included in membership are those who have retired in circumstances establishing eligibility for an annuity in this pension system and inactive members on leave of absence.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The Board of Trustees of the Plan shall consist of ten members, including the Director of Human Resources and Director of Finance, and seven shall be appointed by the Mayor as follows:

- a. One shall be a retired member of the system.
- b. Four, other than the forgoing, shall be recognized business and/or civic leaders with financial backgrounds, such as investments, management of employees' benefit plans, who are not employees of the City. At the Mayor's option, one of this group may be a City Council person with a financial background who shall serve as an ex-officio member of the Board with a right to vote.
- c. Two shall be active employees and members of the retirement system as recommended by the union.
- d. In the event that Local 42, IAFF, has 200 or more members, including retirees, participating in the Employees' Retirement System, Local 42 will have one designated member who will be vested with the same voting rights as the other trustees.

The Board is responsible for establishing or amending plan provisions. The Board issues publicly available financial reports that include financial statements and required supplementary information. The financial reports may be obtained by writing to:

Employees' Pension Systems

The Retirement Division
City Hall-10th Floor
414 East 12th Street
Kansas City, Missouri 64106
Phone 816.513.1928

Retirement Benefits

Benefit terms for the Plan are established in the City administrative code and can only be amended by the City Council. The Plan provides retirement benefits as well as pre-retirement death benefits as noted below:

Tier I Members – The Plan provides retirement benefits for those employees hired before April 20, 2014 (Tier I Members). Employees become vested for retirement benefits after five years of service. Members who retire with total age and creditable service equal to 80, or the later of age 60 and 10 years of creditable service, are entitled to an annual pension based on a percentage of final average compensation multiplied by years and months of creditable service. If married at the time of retirement, the percentage is 2.0% for general employees and 2.2% for elected officials, and if unmarried at the date of retirement, the percentage is 2.2% up to a maximum of 70% of final average compensation as defined in the Plan. If the employee has at least 10 years of creditable service, the minimum benefit is \$400 per month.

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A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

If members terminate prior to retirement and before rendering five years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. Such refunds result in the forfeiture of all other benefits under the Plan. Members terminating prior to retirement with five or more years of service may elect to receive a refund of their member contributions with interest as a lump-sum distribution, or they may elect to receive a deferred pension. An automatic annual cost-of-living adjustment of 3%, non-compounded, is provided annually.

Tier II Members – The Plan provides retirement benefits for those employees hired on or after April 20, 2014 (Tier II Members). Employees become vested for retirement benefits after ten years of service. Members who retire with total age and creditable service equal to 85, or the later of age 62 and 10 years of creditable service, are entitled to an annual pension of 1.75% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 70% of final average compensation as defined in the Plan.

If employees terminate prior to retirement and before rendering ten years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. An annual cost-of-living adjustment, not to exceed 2.5%, non-compounded, per year is provided to pensioners age 62 and older if the prior year funding ratio is equal to or greater than 80% and will be equal to the percentage increase in the prior 12 months of the final national Consumer Price Index.

Death Benefits

If a retired member dies, the following benefits shall be paid:

To the member's spouse until death, a retirement benefit equal to one-half of the member's normal retirement benefit. To the member's designated beneficiary or estate, if there is no surviving spouse, any remaining member contributions and interest. If an active member dies, the member contributions and interest are distributed to the surviving spouse or, if none, to the designated beneficiary. The surviving spouse, however, may elect to receive monthly benefit payments instead of the lump-sum distribution if the member had five or more years of creditable service.

Contributions

Funding is provided by contributions from Plan members, the Fund and earnings on investments. Members contribute 5% of their base salary. The Water and Sewer Funds' contributions are set by the City Council in conjunction with its approval of the annual budget, based on the actuarially determined contribution rate set by the Plan's consulting actuary. For the years beginning May 1, 2018 and 2017, both the Water and Sewer Funds contributed 15.68% and 15.40% of payroll, respectively, which is the actuarially determined Board contribution rates for the respective years. Future contributions will be determined through the City's budgeting process.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The Plan's governing body has the authority to establish and amend the contribution requirements of the Department and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial liability. The Water and Sewer Funds are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended April 30, 2019 and 2018, employees within the Water Fund contributed \$1,103,138 and \$1,083,439, respectively, and the Water Fund contributed \$3,397,665 and \$3,187,297, respectively, to the Plan. For the years ended April 30, 2019 and 2018, employees within the Sewer Fund contributed \$965,816 and \$966,801, respectively, and the Sewer Fund contributed \$3,028,798 and \$2,722,121, respectively, to the Plan.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net pension liabilities are reported when the employer's total pension liability exceeds the Plan's fiduciary net position, or the employer's proportionate share of the total liability exceeds the employer's share of the Plan's fiduciary net position for cost-sharing, multiple employer plans. Net pension liability allocated to KC Water for the years ended April 30, 2019 and 2018 was as follows:

	2019	2018
Water Fund		
Net pension liability	\$26,886,735	\$29,029,374
Proportion	13.15%	13.07%
 Sewer Fund		
Net pension liability	\$22,882,403	\$24,792,427
Proportion	11.27%	11.16%

The net pension liability was measured as of April 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2017 and 2016 rolled forward one year to the measurement dates. The Water and Sewer Funds' proportion of the net pension liability was based on the respective Fund's actual contributions to the pension plan for the years ended April 30, 2018 and 2017.

For the years ended April 30, 2019 and 2018, the Water Fund recognized pension expense of \$5,993,243 and \$6,800,374, respectively. For the years ended April 30, 2019 and 2018, the Sewer Fund recognized pension expense of \$5,342,586 and \$5,807,834, respectively.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At April 30, 2019 and 2018, KC Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Water Fund				
Net difference between projected and actual earnings on pension plan investments	\$ 1,088,301	\$ --	\$ 4,767,051	\$ --
Changes in assumptions	2,264,811	--	3,376,343	--
Differences between expected and actual experience	--	594,737	--	521,618
Changes in Fund proportion	--	--	1,289,130	--
Fund contributions made subsequent to the measurement date of the net pension liability	<u>3,422,799</u>	<u>--</u>	<u>3,187,297</u>	<u>--</u>
	<u>6,775,911</u>	<u>594,737</u>	<u>12,619,821</u>	<u>521,618</u>
Sewer Fund				
Net difference between projected and actual earnings on pension plan investments	\$ 970,150	\$ --	\$ 4,071,282	\$ --
Changes in assumptions	2,018,932	--	2,883,552	--
Differences between expected and actual experience	--	530,170	--	445,486
Changes in Fund proportion	--	--	1,412,785	--
Fund contributions made subsequent to the measurement date of the net pension liability	<u>3,051,202</u>	<u>--</u>	<u>2,722,121</u>	<u>--</u>
	<u>6,040,284</u>	<u>530,170</u>	<u>11,089,740</u>	<u>445,486</u>
Total Department	<u>\$ 12,816,195</u>	<u>\$ 1,124,907</u>	<u>\$ 23,709,561</u>	<u>\$ 967,104</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

At April 30, 2019 and 2018, the Water Fund reported \$3,422,799 and \$3,187,297, respectively, and the Sewer Fund reported \$3,051,202 and \$2,722,121, respectively, of deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2019, related to pensions, will be recognized in pension expense as follows:

	Water	Sewer	Total
2020	\$ 2,203,683	\$ 1,964,441	\$ 4,168,124
2021	2,434,068	2,169,813	4,603,881
2022	(1,338,009)	(1,192,748)	(2,530,757)
2023	(541,367)	(482,594)	(1,023,961)
	\$ 2,758,375	\$ 2,458,912	\$ 5,217,287

Actuarial Assumptions

The total pension liability in the May 1, 2017 and 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Ranges from 3.75% to 5.0%
Ad hoc cost-of-living adjustments	3.0%, simple for Tier I Members 2.5% for Tier II Members
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table, projected using a modified scale, MP-2015 on a generational basis for healthy individuals and the RP-2000 Combined Disability Mortality Table projected using a modified scale MP-2015 on a generational basis for disabled individuals.

The actuarial assumptions used in the May 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period 2010 – 2015 and showed that there were sufficient margins in the rates to provide for potential future improvements in mortality.

The investment return assumption of 7.50% was selected based upon an analysis that included (a) capital market assumptions provided by the investment consultant, (b) the asset allocation of the fund, and (c) investment return assumptions of other public retirement systems.

The inflation assumption of 3.0% was selected based upon an analysis that included (a) input from the investment consultant, (b) historical inflation as measured by Consumer Price Index, and (c) implied inflation in long-term government bonds.

The long-term wage growth assumption of 3.75% was based upon the inflation assumption of 3.0% plus a real growth wage assumption of 0.75% which was derived from an analysis of historical increases in Social Security Average earnings.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Long-Term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates arithmetic real rates of return for each major asset class including the Plan's target asset allocation as of April 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
US equity	16.25%	3.8%
Emerging manager of managers	4.00%	3.8%
Non-US equity	15.25%	5.0%
Emerging markets equity	4.50%	7.3%
Global equity	5.00%	4.7%
Fixed income		
Core fixed income	20.00%	0.5%
Non-core fixed income	12.00%	2.5%
Real assets		
Real estate	7.50%	3.3%
Infrastructure	2.50%	3.0%
Opportunistic	12.00%	4.1%
Cash	1.00%	(0.5%)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, which is the assumed long-term expected rate of return in Plan investments. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Fund contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position will be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KC WATER

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NOTES TO THE FINANCIAL STATEMENTS

10. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Water and Sewer Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Water and Sewer Funds have been calculated using a discount rate of 7.50%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate:

	April 30, 2019		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Water fund net pension liability	\$ 48,439,317	\$ 26,886,735	\$ 9,151,273
Sewer fund net pension liability	43,180,502	22,882,403	8,157,765
Total Department	<u>\$ 91,619,819</u>	<u>\$ 49,769,138</u>	<u>\$ 17,309,038</u>
	April 30, 2018		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Water fund net pension liability	\$ 49,784,297	\$ 29,029,374	\$ 11,646,675
Sewer fund net pension liability	42,517,960	24,792,427	9,946,768
Total Department	<u>\$ 92,302,257</u>	<u>\$ 53,821,801</u>	<u>\$ 21,593,443</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report, located at www.kcmo.org.

Payable to the Pension Plan

At April 30, 2019 and 2018, the Water Fund reported a payable of \$163,000 and \$143,000, respectively, for the outstanding amount of contributions to the pension plan. At April 30, 2019 and 2018, the Sewer Fund reported a payable of \$146,000 and \$122,000, respectively, for the outstanding amount of contributions to the pension plan.

11. OTHER POSTEMPLOYMENT BENEFITS

During 2019, the Department adopted Governmental Accounting Standard Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The implementation of GASB 75 required the Department to record the total OPEB liability, deferred inflows of resources and deferred outflows of resources related to OPEB and resulted in a prior period adjustment for change in accounting principle of \$2,060,486 for the Water Fund and 1,841,161 for the Sewer Fund.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description

The City sponsors a single-employer, defined benefit health care plan that provides health care benefits to retirees and their dependents, including medical and pharmacy coverage. The City requires the retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other postemployment benefits (OPEB) under GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75. The City's OPEB plan does not issue a separate report.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age or dies.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Total OPEB liability information for the year ended April 30, 2019:

Water Fund	
Total other postemployment benefit liability	\$7,812,575
Proportion	7.12%
Sewer Fund	
Total other postemployment benefit liability	\$6,716,068
Proportion	6.36%

The total OPEB liability was measured as of April 30, 2018 and was determined by an actuarial valuation as of April 30, 2018. The Water and Sewer Funds' proportion of the net pension liability was based on the respective Fund's actual contributions to the pension plan for the years ended April 30, 2018.

For the years ended April 30, 2019 the Water Fund recognized OPEB expense of \$559,312 and the Sewer Fund recognized OPEB expense of \$499,777.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

At April 30, 2019 the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
	<u> </u>
Water Fund	
Differences between expected and actual experience	\$ 9,097
Contributions (benefit payments) made subsequent to the measurement date	<u>479,690</u>
	<u>488,787</u>
 Sewer Fund	
Differences between expected and actual experience	\$ 8,129
Contributions (benefit payments) made subsequent to the measurement date	<u>428,630</u>
	<u>436,759</u>
 Total Department	<u><u>\$ 925,546</u></u>

At April 30, 2019 the Water Fund reported \$479,690 and the Sewer Fund reported \$428,630 of deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2019, related to OPEB, will be recognized in OPEB expense as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2020	\$ 1,315	\$ 1,175	\$ 2,490
2021	1,315	1,175	2,490
2022	1,315	1,175	2,490
2023	1,315	1,175	2,490
2024	1,315	1,175	2,490
Thereafter	<u>2,522</u>	<u>2,254</u>	<u>4,776</u>
	<u>\$ 9,097</u>	<u>\$ 8,129</u>	<u>\$ 17,226</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The total OPEB liability in the April 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Salary increases	Service based rates from 3.0% to 5.0%
Discount rate	3.71% as of measurement date; 3.72% for the prior year
Health care trend rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years

The discount rate was based on the Fidelity 20-Year Municipal GO AA Index

Mortality rates were based on the RP-2000 Combined Healthy Non-Annuitant Mortality Table for active members and for the employees it is multiplied by 0.956 for males and 0.96 for females. The RP 2000 Combined Healthy Annuitant Mortality Table is used for healthy retirees and multiplied 1.078 for males and 1.065 for females. The RP 2000 Combined Disabled Mortality Table is applied to disabled retirees and employees and is multiplied by 1.3 for males and 1.5 for females. Future mortality improvements were modeled using a modified Scale MP-2015.

The actuarial assumptions used in the April 30, 2018 valuation were based on an experience analysis of the plan’s past experience, the actuary’s experience with plans of similar size, plan design, and retiree contribution level.

Sensitivity of the Water and Sewer Fund’s Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Water and Sewer Funds has been calculated using a discount rate of 3.71%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current rate:

	1% Decrease (2.71%)	Current Discount Rate (3.71%)	1% Increase (4.71%)
Water Fund total OPEB liability	\$ 8,690,009	\$ 7,812,576	\$ 6,568,545
Sewer Fund total OPEB liability	7,765,018	6,716,068	5,869,369
Total Department	\$ 16,455,027	\$ 14,528,644	\$ 12,437,914

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Water and Sewer Fund's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The total OPEB liability of the Water and Sewer Funds has been calculated using a healthcare cost trend rate of 7.1% decreasing to 4.25%. The following presents the total OPEB liability using a healthcare cost trend rate 1% higher and 1% lower than the current rate:

	1% Decrease (6.1% decreasing to 3.25%)	Current Discount Rate (7.1% decreasing to 4.25%)	1% Increase (8.1% decreasing to 5.25%)
Water fund total OPEB liability	\$ 6,777,316	\$ 7,812,576	\$ 8,460,579
Sewer fund total OPEB liability	6,055,919	6,716,068	7,560,008
 Total Department	 \$ 12,833,235	 \$ 14,528,644	 \$ 16,020,587

12. COMMITMENTS

At April 30, 2019 and 2018, the City had made purchase commitments primarily for additions to utility lines and improvements on behalf of the Water Fund of approximately \$48,044,000 and \$55,863,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

At April 30, 2019 and 2018, the City had made purchase commitments, primarily for additions to plant on behalf of the Sewer Fund of approximately \$182,920,000 and \$171,478,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

13. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is self-insured for workers' compensation and general liability exposures and participates in the City's self-insurance programs. The City has purchased insurance to limit the exposure to \$1,000,000 on workers' compensation claims per occurrence occurring prior to fiscal year 1997, \$500,000 exposure for all claims originating in fiscal year 1997, \$400,000 exposure for all claims originating in fiscal year 1998, \$2,000,000 exposure for all claims originating in fiscal years 2003 through 2007, \$1,000,000 exposure for all claims originating in fiscal years 2008 through 2011, and \$2,000,000 for all claims originating thereafter. The City also purchases an excess liability policy to cover torts, which are not barred by sovereign immunity. The policy has a \$2,800,000 retention and a \$10,000,000 loss limit. Current sovereign tort immunity statutes and law limit general liability and automobile claim exposure to a maximum of \$1,000,000 per person and \$3,000,000 per occurrence. Settled claims have not exceeded the self-insured retention in any of the past three fiscal years.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

13. RISK MANAGEMENT (CONTINUED)

The City also maintains commercial insurance coverage for those areas not covered by the City's self-insurance programs, such as excess general liability, property, cyber and auto. Settled claims have not exceeded commercial insurance coverage for the past three years.

All funds of the City participate in the program and make payments based on estimates of the amounts needed to pay prior and current year claims. The claims liability for the Water and Sewer Funds includes an estimate of claims incurred but not reported (IBNR), which was determined based upon historical claims experience. Activity in the Water and Sewer Fund's claims liability for the years ended April 30, 2019, 2018 and 2017 is summarized as follows:

	2019	2018	2017
Water			
Balance, beginning of the year	\$ 18,600,713	\$ 16,663,646	\$ 11,068,501
Current year claims incurred and changes in estimates for claims incurred in prior years	3,993,010	9,052,990	9,664,009
Claims and expenses paid	(3,830,155)	(7,115,923)	(4,068,864)
Balance, end of the year	18,763,568	18,600,713	16,663,646
Less current portion	(4,363,637)	(4,189,080)	(4,158,719)
Noncurrent portion	\$ 14,399,931	\$ 14,411,633	\$ 12,504,927
Sewer			
Balance, beginning of the year	\$ 7,725,334	\$ 7,348,785	\$ 5,772,528
Current year claims incurred and changes in estimates for claims incurred in prior years	6,458,436	5,263,103	3,648,323
Claims and expenses paid	(4,070,118)	(4,886,554)	(2,072,066)
Balance, end of the year	10,113,652	7,725,334	7,348,785
Less current portion	(2,371,329)	(1,762,357)	(1,900,183)
Noncurrent portion	\$ 7,742,323	\$ 5,962,977	\$ 5,448,602

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS

KC Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

14. DISCLOSURES ABOUT FAIR VALUE OF ASSETS (CONTINUED)

The City has the following recurring fair value measurements as of April 30, 2019 and 2018:

- U.S. Treasury Bills, U.S. Treasury Notes/Bonds and Federal agencies of approximately \$1,326,283,000 and \$1,331,620,000 as of April 30, 2019 and 2018, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets (Level 2) inputs.

15. NET POSITION

Net investment in capital assets as of April 30, 2019 and 2018 is comprised of the following:

	April 30, 2019		
	Water	Sewer	Total
Capital Related Assets			
Land	\$ 10,320,163	\$ 14,388,190	\$ 24,708,353
Construction in progress	23,969,582	42,623,063	66,592,645
Buildings	187,219,962	--	187,219,962
Treatment plant and other facilities	--	341,420,574	341,420,574
Utility line and improvements	949,087,443	1,158,576,747	2,107,664,190
Land improvements	--	8,291,529	8,291,529
Green infrastructure	--	10,756,369	10,756,369
Machinery and equipment	100,658,371	162,931,191	263,589,562
	<u>1,271,255,521</u>	<u>1,738,987,663</u>	<u>3,010,243,184</u>
Less accumulated depreciation	<u>(226,665,041)</u>	<u>(417,481,805)</u>	<u>(644,146,846)</u>
Capital assets, net	<u>1,044,590,480</u>	<u>1,321,505,858</u>	<u>2,366,096,338</u>
Deferred loss on refunding	<u>1,561,173</u>	<u>1,932,225</u>	<u>3,493,398</u>
Less Related Liabilities			
Current portion, bonds payable	20,425,000	24,019,000	44,444,000
Bonds and notes payable, net of premium, discount and unspent proceeds	342,063,903	410,102,229	752,166,132
Contracts and retainages payable	<u>2,169,581</u>	<u>5,420,060</u>	<u>7,589,641</u>
Total capital related liabilities	<u>364,658,484</u>	<u>439,541,289</u>	<u>804,199,773</u>
Net investment in capital assets	<u>\$ 681,493,169</u>	<u>\$ 883,896,794</u>	<u>\$ 1,565,389,963</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

15. NET POSITION (CONTINUED)

	April 30, 2018		
	Water	Sewer	Total
Capital Related Assets			
Land	\$ 4,902,914	\$ 13,880,395	\$ 18,783,309
Construction in progress	23,750,566	46,411,414	70,161,980
Buildings	183,061,164	--	183,061,164
Treatment plant and other facilities	--	339,497,071	339,497,071
Utility line and improvements	912,195,201	1,069,971,069	1,982,166,270
Land improvements	--	9,929,089	9,929,089
Green infrastructure	--	8,671,373	8,671,373
Machinery and equipment	99,000,740	158,473,765	257,474,505
	<u>1,222,910,585</u>	<u>1,646,834,176</u>	<u>2,869,744,761</u>
Less accumulated depreciation	(226,717,429)	(401,931,387)	(628,648,816)
Capital assets, net	<u>996,193,156</u>	<u>1,244,902,789</u>	<u>2,241,095,945</u>
Deferred loss on refunding	<u>1,969,672</u>	<u>1,136,750</u>	<u>3,106,422</u>
Less Related Liabilities			
Current portion, bonds payable	19,625,000	25,236,300	44,861,300
Bonds and notes payable, net of premium, discount and unspent proceeds	328,497,088	360,276,132	688,773,220
Contracts and retainages payable	<u>2,576,333</u>	<u>5,349,210</u>	<u>7,925,543</u>
Total capital related liabilities	<u>350,698,421</u>	<u>390,861,642</u>	<u>741,560,063</u>
Net investment in capital assets	<u>\$ 647,464,407</u>	<u>\$ 855,177,897</u>	<u>\$ 1,502,642,304</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

15. NET POSITION (CONTINUED)

Restricted net position as of April 30, 2019 and 2018 is comprised of the following:

	April 30, 2019		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Restricted assets			
Cash and cash equivalents	\$ 1,971,084	\$ 13,020,348	\$ 14,991,432
Investments	84,526,430	182,947,409	267,473,839
Interest receivable	489,939	1,328,606	1,818,545
	<u>86,987,453</u>	<u>197,296,363</u>	<u>284,283,816</u>
Less liabilities payable from restricted assets			
Debt related to unspent bond proceeds	38,327,098	137,809,568	176,136,666
Accrued interest and fiscal agent fees	6,606,177	7,462,411	14,068,588
Customer deposits	3,520,583	--	3,520,583
	<u>48,453,858</u>	<u>145,271,979</u>	<u>193,725,837</u>
 Restricted Net Position	 <u>\$ 38,533,595</u>	 <u>\$ 52,024,384</u>	 <u>\$ 90,557,979</u>
	April 30, 2018		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Restricted assets			
Cash and cash equivalents	\$ 14,206,586	\$ 10,896,830	\$ 25,103,416
Investments	107,211,728	269,948,116	377,159,844
Interest receivable	650,398	1,201,013	1,851,411
	<u>122,068,712</u>	<u>282,045,959</u>	<u>404,114,671</u>
Less liabilities payable from restricted assets			
Debt related to unspent bond proceeds	73,245,840	217,952,779	291,198,619
Accrued interest and fiscal agent fees	6,935,528	7,201,254	14,136,782
Customer deposits	3,053,522	--	3,053,522
	<u>83,234,890</u>	<u>225,154,033</u>	<u>308,388,923</u>
 Restricted Net Position	 <u>\$ 38,833,822</u>	 <u>\$ 56,891,926</u>	 <u>\$ 95,725,748</u>

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

16. CITY SEWER OVERFLOW CONTROL PLAN

In 2003, the City Council directed the City Manager to prepare a long range plan to manage wet weather flow in both the separate and combined sewer systems within the city. In response, the Department prepared an Overflow Control Plan (Plan). Creation of the Plan was driven by requirements of the federal Clean Water Act and by policies of the United States Environmental Protection Agency (EPA) and Missouri Department of Natural Resources (MDNR) related to sewer infrastructure. The Plan is structured to prevent as much stormwater as practicable from entering the combined sewer system and separate sewer system to reduce sewer overflows and provide a platform to facilitate implementation of a comprehensive green solutions initiative in the City.

The City's Plan was developed to meet regulatory requirements related to reducing wet-weather overflows from the combined sewer system and preventing overflows from the separate sewer system. The City and its regulatory partners have agreed to meet those objectives over a 25-year time period by completing a planned list of improvements targeted at capturing for treatment 88 percent of combined sewer flows and eliminating sanitary sewer overflows from the separate sanitary system. Individual elements of the City's Overflow Control Program (OCP) became part of an enforceable document on September 27, 2010, with the entry of a Consent Decree in United States District Court for the Western District of Missouri. To date, the City has fulfilled all requirements set forth in the Consent Decree.

Beginning in mid-2013, the Department and its Overflow Control Program team members worked with EPA to modify specific components of the control measure implementation schedule to allow sufficient time for the City to better determine the sizing of any necessary infrastructure investments for control of sewer overflows in the Blue River South Basin prior to initiating construction. EPA approved these changes in November 2014. The modifications also resulted in the strategic advancement of several other projects that are intended to reduce the frequency of overflow events in the combined sewer system and to reduce the amount of excessive inflow and infiltration into the City's separate system.

In November of 2016, the Department and its Overflow Control Program team members submitted a request for a second modification that extended the completion date for six particular projects in order to better sequence construction, capitalize on the timing of other municipal infrastructure projects and to optimize the scope of particular projects to achieve greater public benefits. EPA approved these modifications in November of 2017.

The current estimated capital cost of this control plan is projected to cost approximately \$4.5 billion with estimated inflation at the end of the 25-year timeframe. In addition, there is expected to be a \$72 million increase in annual expenditures for operation and maintenance. It is anticipated that this Plan will be funded primarily from the City's sewer fund, which is separate from the general fund. The City does not anticipate that the City's general fund will be relied upon to assist in the financing of the Plan. As implementation of the Plan continues, specific financing strategies to offset the cost will be evaluated and implemented, which could include appropriation of monies from the City's general fund.

The Overflow Control Program contains some 12 overflow control measure projects to be implemented over the 25 year implementation period. The program is currently on schedule and on budget with Water Services having completed a total of 32 projects and currently implementing 48 projects.

KC WATER

A Department of the City of Kansas City, Missouri

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

Debt

On June 18, 2019 the City issued its Sanitary Sewer Improvement Revenue Bonds, Series 2019A (Series 2019A Bonds) in the amount of \$59,735,000.

On July 24, 2019, the City issued its Water Refunding Revenue Bonds, Series 2019A (Series 2019A Bonds) in the amount of \$72,865,000. The Series 2019A Bonds financed the refunding of \$87,735,000 of outstanding Series 2009A Bonds.

FINANCIAL SECTION

Required Supplementary Information (Unaudited)



KC WATER
A Department of the City of Kansas City, Missouri

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF KANSAS CITY, MISSOURI**

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Fund				
Proportion of the net pension liability	13.15%	13.07%	12.54%	12.54%
Proportionate share of the net pension liability	\$ 26,886,735	\$ 29,029,374	\$ 30,723,968	\$ 13,380,125
Covered payroll	\$ 21,917,938	\$ 21,467,220	\$ 20,923,378	\$ 21,020,683
Proportionate share of the net pension liability as a percentage of covered payroll	122.67%	135.23%	146.84%	63.65%
Plan fiduciary net position as a percentage of the total pension liability	84.84%	83.10%	80.69%	91.05%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Sewer Fund				
Proportion of the net pension liability	11.27%	11.16%	10.58%	10.58%
Proportionate share of the net pension liability	\$ 22,882,403	\$ 24,792,427	\$ 25,927,891	\$ 11,291,459
Covered payroll	\$ 18,653,626	\$ 18,330,082	\$ 17,653,058	\$ 17,739,310
Proportionate share of the net pension liability as a percentage of covered payroll	122.67%	135.26%	146.87%	63.65%
Plan fiduciary net position as a percentage of the total pension liability	84.84%	83.10%	80.69%	91.05%

Notes to Schedule:

This schedule is intended to show a ten-year trend. Additional years will be reported as they become available.
This information is presented as of the measurement date for each fiscal year, which is April 30 of the prior year.

KC WATER
A Department of the City of Kansas City, Missouri

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF KANSAS CITY, MISSOURI

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water Fund				
Contractually required contribution	\$ 3,397,928	\$ 3,187,882	\$ 2,889,519	\$ 3,077,428
Contributions in relation to contractually required contribution	<u>3,422,799</u>	<u>3,206,129</u>	<u>2,972,461</u>	<u>3,082,377</u>
Contribution deficiency (excess)	<u>\$ (24,871)</u>	<u>\$ (18,247)</u>	<u>\$ (82,942)</u>	<u>\$ (4,949)</u>
Covered payroll	\$ 22,574,265	\$ 21,932,901	\$ 20,596,705	\$ 20,923,378
Contributions as a percentage of covered payroll	15.16%	14.62%	14.44%	14.73%
Sewer Fund				
Contractually required contribution	\$ 3,029,020	\$ 2,722,017	\$ 2,437,887	\$ 2,596,426
Contributions in relation to contractually required contribution	<u>3,051,202</u>	<u>2,737,598</u>	<u>2,508,543</u>	<u>2,601,211</u>
Contribution deficiency (excess)	<u>\$ (22,182)</u>	<u>\$ (15,581)</u>	<u>\$ (70,656)</u>	<u>\$ (4,785)</u>
Covered payroll	\$ 20,123,414	\$ 18,727,711	\$ 17,377,443	\$ 17,653,058
Contributions as a percentage of covered payroll	15.16%	14.62%	14.44%	14.73%

Notes to Schedule:

This schedule is intended to show a ten-year trend. Additional years will be reported as they become available. This information is presented as of the Department's most recent fiscal year end. There are no significant changes to benefit assumptions and/ or actuarial methods.

KC WATER
A Department of the City of Kansas City, Missouri

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY

Last Ten Fiscal Years

	2019
Water Fund	
Proportion of the collective total OPEB liability	7.12%
Proportionate share of the collective total OPEB liability	\$ 7,812,575
Covered employee-payroll	\$ 17,976,473
Proportionate share of the total OPEB liability as a percentage of covered-employee payroll	43.46%
	2019
Sewer Fund	
Proportion of the OPEB liability	6.36%
Proportionate share of the OPEB liability	\$ 6,716,068
Covered employee-payroll	\$ 15,453,447
Proportionate share of the total OPEB liability as a percentage of covered-employee payroll	43.46%

Notes to Schedule:

This schedule is intended to show a ten-year trend. Additional years will be reported as they become available. There are no assets accumulated in a trust for future benefit payments. This information is presented as of the measurement date for each fiscal year, which is April 30 of the prior year.

FINANCIAL SECTION

Supplementary Information



KC WATER
A Department of the City of Kansas City, Missouri

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - SEWER FUND**

Year Ended April 30, 2019

	<u>Wastewater</u>	<u>Stormwater</u>	<u>Total</u>
OPERATING REVENUES			
Residential and commercial sales	\$ 188,155,694	\$ 13,262,845	\$ 201,418,539
Intermunicipal sewer charges	43,408,413	--	43,408,413
Other operating revenue	6,577,443	506,216	7,083,659
	<u>238,141,550</u>	<u>13,769,061</u>	<u>251,910,611</u>
OPERATING EXPENSES			
Sewage treatment and pumping	30,962,476	89,521	31,051,997
Sewer maintenance	31,583,667	7,921,497	39,505,164
Industrial and household waste control	1,593,859	--	1,593,859
Administrative and general	39,174,338	5,492,782	44,667,120
Depreciation and amortization	30,754,145	6,959,789	37,713,934
	<u>134,068,485</u>	<u>20,463,589</u>	<u>154,532,074</u>
Total operating expenses			
Operating income	<u>104,073,065</u>	<u>(6,694,528)</u>	<u>97,378,537</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	15,265,057	344,206	15,609,263
Interest expense and fiscal agent fees	(19,818,256)	(36,739)	(19,854,995)
Other	(67,080)	(6,655)	(73,735)
	<u>(4,620,279)</u>	<u>300,812</u>	<u>(4,319,467)</u>
Total nonoperating revenues (expenses)			
Excess of revenues over expenses before capital contributions and transfers	99,452,786	(6,393,716)	93,059,070
Capital contributions	2,808,102	4,785,128	7,593,230
Payment-in-lieu of taxes	(3,606,848)	--	(3,606,848)
	<u>98,654,040</u>	<u>(1,608,588)</u>	<u>97,045,452</u>
Increase in net position			
Net position, beginning of year as previously reported	921,507,278	187,224,983	1,108,732,261
Prior period adjustment for change in accounting principle	(1,439,710)	(401,451)	(1,841,161)
	<u>920,067,568</u>	<u>186,823,532</u>	<u>1,106,891,100</u>
Net position, beginning of year, restated			
Net position, end of year	<u>\$ 1,018,721,608</u>	<u>\$ 185,214,944</u>	<u>\$ 1,203,936,552</u>

STATISTICAL SECTION

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information



KC WATER
A Department of the City of Kansas City, Missouri

STATISTICAL SECTION
(Unaudited)

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Department's overall financial health.

	<u>Page</u>
Financial Trends	69
These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time.	
Revenue Capacity	72
These schedules contain information to help the reader assess the Department's most significant local revenue source.	
Debt Capacity	78
These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future.	
Demographic and Economic Information	83
These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities takes place.	
Operating Information	85
These schedules contain service and infrastructure data to help the readers understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	

STATISTICAL SECTION

Financial Trends



KC WATER
A Department of the City of Kansas City, Missouri
Net Position by Category
Last Ten Fiscal Years

Water Fund	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Net investment in capital assets	\$ 438,188,214	\$ 455,704,677	\$ 470,155,178	\$ 488,842,664	\$ 513,054,370	\$ 552,399,594	\$ 593,543,635	\$ 614,223,737	\$ 647,464,407	\$ 681,493,169
Restricted - expendable	12,703,629	11,382,337	10,008,982	13,199,410	26,454,618	24,439,399	37,103,229	38,260,756	38,833,822	38,533,595
Unrestricted	15,160,220	35,888,149	57,021,378	83,331,615	83,631,558	99,975,615	94,221,747	122,721,652	137,090,444	155,687,131
Total net position	466,052,063	502,975,163	537,185,538	585,373,689	623,140,546	676,814,608	724,868,611	775,206,145	823,388,673	875,713,895
Sewer Fund										
Net investment in capital assets	591,072,327	608,273,541	629,443,591	651,557,999	693,704,508	733,946,847	760,587,456	811,627,922	855,177,897	883,896,794
Restricted - expendable	7,377,826	7,465,340	7,815,116	11,664,261	22,724,620	31,483,449	55,523,858	55,405,867	56,891,926	52,024,384
Unrestricted	29,102,652	53,640,792	73,415,975	87,048,093	113,228,784	140,969,348	151,260,389	177,299,923	196,662,438	268,015,374
Total net position	627,552,805	669,379,673	710,674,682	750,270,353	829,657,912	906,399,644	967,371,703	1,044,333,712	1,108,732,261	1,203,936,552
Total Department										
Net investment in capital assets	1,029,260,541	1,063,978,218	1,099,598,769	1,140,400,663	1,206,758,878	1,286,346,441	1,354,131,091	1,425,851,659	1,502,642,304	1,565,389,963
Restricted - expendable	20,081,455	18,847,677	17,824,098	24,863,671	49,179,238	55,922,848	92,627,087	93,666,623	95,725,748	90,557,979
Unrestricted	44,262,872	89,528,941	130,437,353	170,379,708	196,860,342	240,944,963	245,482,136	300,021,575	333,752,882	423,702,505
Total net position	1,093,604,868	1,172,354,836	1,247,860,220	1,335,644,042	1,452,798,458	1,583,214,252	1,692,240,314	1,819,539,857	1,932,120,934	2,079,650,447

Source: Comprehensive Annual Financial Report for 2018 and 2019 and historical audited financials for remaining years

Note: The Water and Sewer Funds adopted GASB 65 starting in 2013. Previous years have not been restated for the adoption of GASB 65.

Note: The Water and Sewer Funds adopted GASB 68 starting in 2016. Previous years have not been restated for the adoption of GASB 68.

KC WATER
A Department of the City of Kansas City, Missouri
Changes in Net Position - Water Fund
Last Ten Fiscal Years

	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Operating Revenues										
Water sales	\$ 79,402,865	\$ 104,809,250	\$ 113,795,787	\$ 139,044,243	\$ 136,645,032	\$ 141,805,902	\$ 145,387,719	\$ 153,502,388	\$ 156,118,392	\$ 158,860,825
Other water revenue	3,051,231	3,043,482	4,425,641	4,128,038	3,132,691	3,363,610	3,638,548	4,995,566	4,011,261	5,015,315
Income from jobbing and contract work and miscellaneous revenues	5,729,988	7,355,893	7,026,768	6,470,794	4,459,597	5,133,697	6,183,139	6,859,793	7,084,210	7,069,352
Total operating revenues	88,184,084	115,208,625	125,248,196	149,643,075	144,237,320	150,303,209	155,209,406	165,357,747	167,213,863	170,945,492
Operating Expenses										
Power and pumping	4,540,886	4,955,130	4,844,668	5,391,806	4,924,274	4,958,291	5,287,722	5,900,861	5,953,828	5,991,337
General and electrical maintenance	2,517,212	2,541,658	4,034,162	4,347,317	4,758,471	4,733,179	4,676,138	6,151,741	6,827,393	6,052,038
Purification	11,549,618	11,892,058	11,020,685	12,245,660	12,159,176	12,141,165	13,081,316	13,185,929	14,156,235	13,888,584
Laboratory services	2,433,467	2,477,521	2,470,682	2,471,376	2,593,992	2,688,627	2,641,992	2,906,656	2,914,501	2,782,649
Transmission and distribution	13,303,041	11,488,867	21,122,053	23,062,262	20,756,589	16,869,006	17,818,781	19,436,953	18,678,483	22,389,216
Customer service	7,040,500	7,295,986	7,236,663	7,851,497	8,229,725	9,122,385	7,768,625	8,263,111	7,087,348	7,095,014
Mechanical maintenance	2,634,981	2,754,732	2,751,426	2,929,851	2,928,413	2,680,090	2,151,887	2,305,651	2,205,877	1,986,562
Customer accounting and collection	4,258,158	4,963,537	5,184,265	5,650,757	9,215,812	10,558,460	6,983,041	6,658,713	7,597,356	8,102,814
Administrative and general	14,477,547	16,123,070	14,585,368	14,748,958	19,056,962	16,352,602	16,090,363	22,639,576	23,460,691	20,261,798
Depreciation and amortization	10,260,837	10,708,385	13,793,442	14,375,320	15,024,352	15,616,130	17,222,379	18,893,810	21,354,867	22,565,048
Total operating expenses	73,016,247	75,200,944	87,043,414	93,074,804	99,647,766	95,719,935	93,722,244	106,343,001	110,236,579	111,115,060
Operating Income	15,167,837	40,007,681	38,204,782	56,568,271	44,589,554	54,583,274	61,487,162	59,014,746	56,977,284	59,830,432
Nonoperating Revenues (Expenses)										
Interest income	2,555,115	1,625,220	1,457,756	977,115	632,555	1,851,862	1,516,951	1,238,646	1,265,617	8,537,682
Interest expense and fiscal agent fees	(7,208,735)	(9,103,896)	(9,774,619)	(9,772,564)	(9,586,155)	(11,600,786)	(9,554,013)	(12,005,062)	(12,984,672)	(15,338,719)
Other	(7,600)	(214,237)	(192,146)	(472,629)	(7,312)	78,478	(113,555)	(3,961)	53,426	(156,198)
Total nonoperating revenues (expenses)	(4,661,220)	(7,692,913)	(8,509,009)	(9,268,078)	(8,960,912)	(9,670,446)	(8,150,617)	(10,770,377)	(11,665,629)	(6,957,235)
Excess of Revenues Over Expenses Before Capital Contributions	10,506,617	32,314,768	29,695,773	47,300,193	35,628,642	44,912,828	53,336,545	48,244,369	45,311,655	52,873,197
Capital Contributions	7,858,986	4,608,332	4,514,602	2,617,234	2,138,215	8,761,234	3,188,326	3,465,581	4,764,615	4,306,335
Payment-in-lieu of taxes	-	-	-	-	-	-	-	(1,372,416)	(1,893,742)	(2,793,824)
Increase in Net Position	\$ 18,365,603	\$ 36,923,100	\$ 34,210,375	\$ 49,917,427	\$ 37,766,857	\$ 53,674,062	\$ 56,524,871	\$ 50,337,534	\$ 48,182,528	\$ 54,385,708

Source: Comprehensive Annual Financial Report for 2018 and 2019 and historical audited financials for remaining years

KC WATER
A Department of the City of Kansas City, Missouri
Changes in Net Position - Sewer Fund
Last Ten Fiscal Years

	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Operating Revenues										
Retail sewer charges	\$ 52,411,606	\$ 70,226,412	\$ 76,448,889	\$ 93,951,330	\$ 106,689,690	\$ 119,719,601	\$ 138,557,694	\$ 158,353,571	\$ 172,044,086	\$ 188,155,693
Intermunicipal sewer charges	21,707,817	23,123,947	23,925,569	24,508,149	28,047,478	32,700,685	37,242,952	33,687,701	33,517,836	43,408,413
Stormwater fees	11,647,996	10,380,081	11,306,712	12,648,966	12,866,145	12,980,291	13,014,456	12,741,452	13,434,164	13,262,846
Other operating revenues	6,149,271	5,636,666	4,650,554	3,873,393	3,647,080	4,093,029	4,792,703	5,114,883	6,463,802	7,083,659
Total operating revenues	<u>91,916,690</u>	<u>109,367,106</u>	<u>116,331,724</u>	<u>134,981,838</u>	<u>151,250,393</u>	<u>169,493,606</u>	<u>193,607,805</u>	<u>209,897,607</u>	<u>225,459,888</u>	<u>251,910,611</u>
Operating Expenses										
Sewerage treatment and pumping	19,572,886	20,448,799	21,568,513	21,530,125	22,025,549	24,479,377	30,673,879	29,345,704	35,705,684	31,051,997
Sewer maintenance	23,275,663	19,492,673	23,594,922	25,169,485	26,767,154	30,295,934	30,082,417	30,899,733	36,805,512	39,505,164
Administrative and general	18,255,432	17,963,877	17,401,764	22,351,473	23,205,978	27,192,886	32,340,109	39,753,428	50,906,139	44,667,120
Industrial and household hazardous waste control	2,214,016	1,422,844	1,268,901	1,318,222	1,277,181	1,322,689	1,339,268	1,409,208	1,470,939	1,593,859
Depreciation and amortization	18,295,727	21,821,399	22,376,178	22,450,445	23,947,433	26,491,741	28,558,919	30,134,434	33,656,813	37,713,934
Total operating expenses	<u>81,613,724</u>	<u>81,149,592</u>	<u>86,210,278</u>	<u>92,819,750</u>	<u>97,223,295</u>	<u>109,782,627</u>	<u>122,994,592</u>	<u>131,542,507</u>	<u>158,545,087</u>	<u>154,532,074</u>
Operating income	<u>10,302,966</u>	<u>28,217,514</u>	<u>30,121,446</u>	<u>42,162,088</u>	<u>54,027,098</u>	<u>59,710,979</u>	<u>70,613,213</u>	<u>78,355,100</u>	<u>66,914,801</u>	<u>97,378,537</u>
Nonoperating Revenues (Expenses)										
Interest income	3,123,824	2,407,523	2,916,533	1,803,044	1,073,477	2,612,752	2,052,642	2,166,678	1,455,586	15,609,263
Interest expense and fiscal agent fees	(4,562,766)	(5,427,078)	(6,077,376)	(6,463,942)	(6,813,348)	(7,760,680)	(10,797,250)	(9,459,096)	(12,347,984)	(19,854,995)
Other	12,826	(596,737)	4,389	(722,436)	244,250	(38,763)	(28,187)	(59,551)	29,550	(73,735)
Total nonoperating revenues (expenses)	<u>(1,426,116)</u>	<u>(3,616,292)</u>	<u>(3,156,454)</u>	<u>(5,383,334)</u>	<u>(5,495,621)</u>	<u>(5,186,691)</u>	<u>(8,772,795)</u>	<u>(7,351,969)</u>	<u>(10,862,848)</u>	<u>(4,319,467)</u>
Excess of Revenues Over Expenses Before Capital Contributions	8,876,850	24,601,222	26,964,992	36,778,754	48,531,477	54,524,288	61,840,418	71,003,131	56,051,953	93,059,070
Capital Contributions	<u>18,097,959</u>	<u>17,225,646</u>	<u>14,330,017</u>	<u>5,693,415</u>	<u>30,856,082</u>	<u>22,217,444</u>	<u>6,716,328</u>	<u>7,547,696</u>	<u>10,849,031</u>	<u>7,593,230</u>
Payment-in-lieu of taxes	-	-	-	-	-	-	-	(1,588,818)	(2,502,435)	(3,606,848)
Increase in Net Position	<u>\$ 26,974,809</u>	<u>\$ 41,826,868</u>	<u>\$ 41,295,009</u>	<u>\$ 42,472,169</u>	<u>\$ 79,387,559</u>	<u>\$ 76,741,732</u>	<u>\$ 68,556,746</u>	<u>\$ 76,962,009</u>	<u>\$ 64,398,549</u>	<u>\$ 97,045,452</u>

Source: Comprehensive Annual Financial Report for 2018 and 2019 and historical audited financials for remaining years

Retail sewer charges and stormwater revenues are combined within the Statement of Revenues, Expenses and Changes in Net Position

STATISTICAL SECTION

Revenue Capacity



KC WATER
A Department of the City of Kansas City, Missouri
Residential Water Service Rates
Last Ten Fiscal Years

	Water Rates									
	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Residential Rates										
Service Charges - Meter size (inches)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
5/8	10.35	11.40	10.85	10.85	11.90	13.09	13.50	13.90	13.90	14.10
3/4	10.95	12.05	11.70	11.70	12.80	14.08	14.50	14.95	14.95	15.20
1	13.80	15.20	14.25	14.30	15.65	17.22	17.75	18.30	18.30	18.60
1 1/2	20.70	22.80	17.70	17.80	19.50	21.45	22.10	22.08	22.08	22.40
2	27.00	29.70	27.00	27.40	30.00	33.00	34.00	35.00	35.00	35.50
3	57.50	63.50	86.50	93.50	102.50	112.75	116.00	119.50	119.50	121.50
4	72.50	80.00	108.50	118.00	129.00	141.90	146.00	150.50	150.50	153.00
6	106.50	117.00	161.50	176.00	192.00	211.20	217.50	224.00	224.00	227.50
8	163.00	179.00	246.00	254.00	278.00	305.80	315.00	324.00	324.00	329.00
10	224.00	246.00	322.00	333.00	365.00	401.50	414.00	426.00	426.00	433.00
12	261.00	287.00	380.00	393.00	430.00	473.00	487.00	502.00	502.00	510.00
Ordinary Commodity Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
First 600 cubic feet	2.39	2.70	3.18	3.67	4.02	4.45	4.60	4.60	4.63	4.70
Next 4,400 cubic feet	2.65	3.00	3.58	4.08	4.50	4.75	4.85	5.09	5.14	5.22
Next 995,000 cubic feet	2.25	2.45	2.71	3.19	3.65	4.00	4.10	4.29	4.40	4.47
Over 1,000,000 cubic feet	1.61	1.75	2.04	2.25	2.50	2.75	2.90	3.03	3.05	3.10
Seasonal off-peak commodity charges	1.61	1.75	2.04	2.34	2.48	2.65	2.80	2.93	2.95	2.95
Fire Protection - Size of Connection	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually
4 inch or less	76.00	87.00	87.00	91.00	100.00	107.00	110.00	116.00	116.00	116.00
6 inch	185.00	211.00	217.00	268.00	293.00	315.00	323.00	341.00	341.00	341.00
8 inch	350.00	399.00	435.00	572.00	625.00	670.00	688.00	726.00	726.00	726.00
10 inch	572.00	652.00	745.00	1028.00	1123.00	1205.00	1237.00	1306.00	1306.00	1306.00
12 inch	857.00	977.00	1159.00	1662.00	1815.00	1948.00	2000.00	2110.00	2110.00	2110.00
16 inch	1618.00	1845.00	2326.00	3541.00	3868.00	4150.00	4261.00	4496.00	4496.00	4496.00

Source: Annual Schedule of Water & Sanitary Sewer Rates, Stormwater fees, Meter Readings, Billing Practices and Bill Payment Guarantee's

KC WATER
A Department of the City of Kansas City, Missouri
Suburban Water Service Rates
Last Ten Fiscal Years

Water Rates	Water Rates									
	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Suburban Rate										
Service Charges - Meter size (inches)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
5/8	11.50	12.65	12.10	12.10	13.25	14.25	14.70	15.15	15.15	15.40
3/4	12.10	13.30	13.05	13.05	14.30	15.35	15.80	16.25	16.25	16.50
1	14.40	15.85	15.95	15.95	17.45	18.75	19.30	19.90	19.90	20.20
1 1/2	21.30	23.40	19.80	19.80	21.70	23.30	24.00	24.70	24.70	25.10
2	27.60	30.40	30.40	30.40	33.30	35.80	36.90	38.00	38.00	38.60
3	60.50	66.50	90.50	96.00	105.00	113.00	116.50	120.00	120.00	122.00
4	76.00	83.50	114.00	121.50	133.50	143.50	148.00	152.50	152.50	155.00
6	111.50	122.50	169.50	181.00	198.00	213.00	219.50	226.00	226.00	229.50
8	166.00	183.00	254.00	260.00	285.00	306.00	315.00	324.00	324.00	329.00
10	231.00	254.00	348.00	348.00	381.00	410.00	422.00	435.00	435.00	442.00
12	270.00	297.00	408.00	409.00	448.00	482.00	496.00	511.00	511.00	519.00
Retail Commodity Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
First 600 cubic feet	2.52	2.84	-	-	3.74	-	-	-	-	-
Next 4,400 cubic feet	2.80	3.15	-	-	4.15	-	-	-	-	-
First 5,000 cubic feet	-	-	3.25	3.45	-	4.45	4.90	5.00	5.05	5.05
Over 5,000 cubic feet	2.25	2.45	2.76	3.07	3.25	3.50	3.90	3.98	4.05	4.05
Wholesale Customers	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
Unrestricted	1.59	1.67	1.74	1.95	2.00	2.10	2.17	2.26	2.28	2.32
Restricted	1.54	1.62	1.69	1.89	1.94	2.04	2.10	2.18	2.20	2.24
Repumping Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
1st repumping charge	0.13	0.15	0.16	0.18	0.18	0.19	0.19	0.20	0.20	0.20
2nd repumping charge	0.23	0.23	0.23	0.25	0.25	0.26	0.26	0.27	0.27	0.28

Source: Annual Schedule of Water & Sanitary Sewer Rates, Stormwater fees, Meter Readings, Billing Practices and Bill Payment Guarantees.

KC WATER
A Department of the City of Kansas City, Missouri
Sewer and Stormwater Service Rates
Last Ten Fiscal Years

	Sewer and Stormwater Rates									
	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
<u>Residential Rates</u>										
Service Charges										
Sanitary sewer - monthly	8.60	9.90	9.90	11.55	12.20	15.10	17.05	18.05	19.30	21.30
Volume charge - per 100 CCF	2.28	2.62	3.16	3.82	4.54	5.25	6.05	7.18	7.84	8.60
Residential accounts	17.13	19.70	23.70	28.65	34.05	37.00	39.75	41.00	47.04	51.60
Commercial and Industrial discharges										
Biochemical oxygen demand (per pound of excess BOD)	0.225	0.259	0.297	0.297	0.303	0.320	0.320	0.320	0.350	0.364
Suspended solids (per pound of excess SS)	0.137	0.158	0.181	0.181	0.181	0.190	0.190	0.190	0.190	0.190
Oil and grease (per pound of excess O&G)	0.099	0.114	0.131	0.131	0.131	0.140	0.140	0.140	0.140	0.160
<u>Nonresidential Users</u>										
Metered connections - per 100 CCF	1.55	1.78	2.01	2.01	2.50	2.80	2.92	3.00	3.15	3.48
Metered connections directly to treatment plant - per 100 CCF	-	-	-	2.13	2.13	-	-	-	-	-
Service charges - monthly	8.60	9.90	9.90	9.90	9.90	11.15	12.40	12.50	11.50	13.60
Unmetered connections per 100 CCF	2.14	2.46	2.79	2.79	3.21	3.55	3.70	3.85	4.53	4.69
Unmetered connections - no consumption data	21.90	25.20	28.55	30.26	34.50	37.00	39.75	41.00	45.00	46.95
Customers billed directly by KC Water:										
Service charges - monthly	10.50	12.30	13.50	17.84	17.84	20.50	24.10	25.55	26.20	30.00
Volume charges	2.51	2.94	3.38	5.56	6.35	7.10	8.00	9.35	10.90	11.90
High concentration discharges										
Biochemical oxygen demand (per pound of excess BOD)	0.255	0.293	0.335	0.341	0.382	0.400	0.400	0.400	0.400	0.446
Suspended solids (per pound of excess SS)	0.456	0.790	0.205	0.205	0.205	0.215	0.215	0.215	0.220	0.220
Oil and grease (per pound of excess O&G)	0.101	0.116	0.133	0.133	0.133	0.141	0.141	0.141	0.150	0.183
<u>Stormwater Rates</u>										
Stormwater fee amount	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.
	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Source: Annual Schedule of: Water & Sanitary Sewer Service Rates, Stormwater Fees, Meter Readings, Billing Practices and Bill Payment Guarantees

KC WATER
A Department of the City of Kansas City, Missouri
Revenues Base and Revenues by Customer Class
Last Ten Fiscal Years

	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Water Revenues										
Water sales	\$ 68,196,915	\$ 91,072,250	\$ 97,503,707	\$ 118,403,327	\$ 118,795,707	\$ 124,494,777	\$ 128,315,706	\$ 135,664,964	\$ 136,752,620	\$ 139,504,364
Wholesale water sales	11,205,949	13,737,000	16,292,080	20,640,916	17,849,325	17,311,125	17,072,013	17,837,424	19,365,772	19,356,461
Other water revenues	5,729,988	7,355,893	7,026,768	6,470,794	4,459,597	5,133,697	6,183,139	4,995,566	4,011,262	5,015,315
Income from jobbing and contract work and miscellaneous revenues	-	-	-	-	-	-	-	-	-	-
	3,051,231	3,043,482	4,425,641	4,128,038	3,132,691	3,363,610	3,638,548	6,859,793	7,084,205	7,069,352
Total operating revenues	\$ 88,184,083	\$ 115,208,625	\$ 125,248,196	\$ 149,643,075	\$ 144,237,320	\$ 150,303,209	\$ 155,209,406	\$ 165,357,747	\$ 167,213,859	\$ 170,945,492
Water Customer Served (Res. & Comm.)	158,826	159,000	163,608	167,608	167,912	151,073	170,094	171,094	172,248	173,075
Average Revenue Per Customer (Res. & Comm.)	\$ 429.38	\$ 572.78	\$ 595.96	\$ 706.43	\$ 707.49	\$ 824.07	\$ 754.38	\$ 792.93	\$ 793.93	\$ 806.03
Water Consumption (millions of gallons)	31,359	34,367	38,780	40,945	38,920	31,616	31,336	31,792	31,011	31,921
Sewer and Stormwater Revenues										
Retail sewer charges	\$ 52,411,606	\$ 70,226,412	\$ 76,448,889	\$ 93,951,330	\$ 106,689,690	\$ 119,719,601	\$ 138,557,694	\$ 158,353,580	\$ 172,044,093	\$ 188,155,692
Intermunicipal sewer charges	21,707,817	23,123,947	23,925,569	24,508,149	28,047,478	32,700,685	37,242,952	33,687,703	33,517,837	43,408,413
Stormwater fees	11,647,996	10,380,081	11,306,712	12,648,966	12,866,145	12,980,291	13,014,456	12,741,452	13,434,164	13,262,846
Other operating revenues	6,149,271	5,636,666	4,650,554	3,873,393	3,647,080	4,093,029	4,792,703	5,114,883	6,463,802	7,083,659
Total operating revenues	91,916,690	109,367,106	116,331,724	134,981,838	151,250,393	169,493,606	193,607,805	209,897,618	225,459,897	251,910,611
Total utility operating revenues	\$ 180,100,773	\$ 224,575,731	\$ 241,579,920	\$ 284,624,913	\$ 295,487,713	\$ 319,796,815	\$ 348,817,211	\$ 375,255,365	\$ 392,673,756	\$ 422,856,103
Sewer Customer Served (Res. & Comm.)	152,700	153,445	158,482	162,485	163,464	164,060	164,609	165,163	166,267	167,068
Average Revenue Per Customer (Res. & Comm.)	\$ 343.23	\$ 457.67	\$ 482.38	\$ 578.22	\$ 652.68	\$ 729.73	\$ 841.74	\$ 958.77	\$ 1,034.75	\$ 1,126.22
Average daily sewage treatment (millions of gallons)	117	117	103	91	72	93	111	96	72	114

Source: Comprehensive Annual Financial Report for 2018 and historical audited financials for remaining years.

The source for the revenue base and customers served is from the Performance Management division records within KC Water.

KC WATER
A Department of the City of Kansas City, Missouri
Largest Users of the System - Water Fund
Last Ten Fiscal Years

User	Type of Business	FYE 2010		FYE 2011		FYE 2012		FYE 2013		FYE 2014	
		Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)
City of Lee's Summit	Wholesale Water	3	754,852	3	903,288	1	1,390,387	1	1,390,387	1	1,337,990
Jackson County PWSD No. 1	Wholesale Water	1	1,105,095	1	1,242,452	2	1,241,662	2	1,241,662	2	1,165,515
City of Belton	Wholesale Water	2	826,540	2	936,325	3	960,495	3	960,495	3	892,774
City of Raymore	Wholesale Water	4	600,968	4	685,295	5	593,028	5	593,028	5	681,226
City of Blue Springs	Wholesale Water	7	322,358	5	655,340	4	902,400	4	902,400	4	775,864
Raytown Water Company	Wholesale Water	5	552,155	6	575,210	7	465,216	7	465,216	6	536,878
KCP&L	Utility									8	504,550
Ford Motor Co.	Commercial									10	347,806
Public Water Dist No. 2 - Cass Co.	Wholesale Water	8	309,804			10	285,266	10	285,266		
City of Platte City	Wholesale Water	9	297,185	10	298,040	9	330,140	9	330,140		
Veolia - Kansas City	Utility			7	368,803	8	403,892	8	403,892	7	525,638
Bayer Crop Science	Commercial									9	389,998
Dogwood Energy Facility	Utility	10	204,323	7	313,248						
Pollution Control Department	Utility					6	473,051	6	473,051		
Jackson County PWSD No. 2	Wholesale Water			8	311,712					10	354,444
Trigen - Kansas City	Utility	6	405,662								

User	Type of Business	FYE 2015		FYE 2016		FYE 2017		FYE 2018		FYE 2019	
		Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)
City of Lee's Summit	Wholesale Water	1	1,158,421	1	1,085,887	1	1,299,392	1	1,255,534	1	1,290,517
Jackson County PWSD No. 1	Wholesale Water	2	1,086,747	2	993,062	2	1,091,671	2	1,118,992	6	599,820
City of Belton	Wholesale Water	3	756,111	3	896,335	6	551,936	3	904,462	2	936,121
City of Raymore	Wholesale Water	4	694,981	4	659,421	3	707,192	4	726,905	4	683,626
City of Blue Springs	Wholesale Water	6	539,390	10	230,650	7	528,055	6	526,106	7	540,461
Raytown Water Company	Wholesale Water	5	564,064	5	550,473	5	562,841	5	526,632	5	603,273
KCP&L	Utility	8	444,332	7	514,356			9	442,137	10	417,562
Ford Motor Co.	Commercial	10	389,774	6	546,240	9	466,116	10	416,257	8	463,317
Public Water Dist No. 2 - Cass Co.	Wholesale Water					10	465,054	7	518,291		
City of Platte City	Wholesale Water			9	428,825						
Veolia - Kansas City	Utility	7	478,288	8	504,291	4	706,133				
Bayer Crop Science	Commercial										
Dogwood Energy Facility	Utility	9	400,258			8	518,856	8	451,910	3	702,942
Pollution Control Department	Utility										
Jackson County PWSD No. 2	Wholesale Water									9	447,974
Trigen - Kansas City	Utility										

Source: Performance Management Division records within KC Water.

KC WATER
A Department of the City of Kansas City, Missouri
Largest Users of the System - Sewer Fund
Last Ten Fiscal Years

User	FYE 2010		FYE 2011		FYE 2012		FYE 2013		FYE 2013	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
Johnson County, KS	1	13.23%	1	14.00%	1	11.08%	1	8.62%	1	8.62%
Liberty, MO	2	3.81%	2	4.00%	2	3.45%	3	2.31%	3	2.31%
Gladstone, MO	3	3.23%	3	3.00%	3	2.78%	2	2.69%	2	2.69%
North Kansas City, MO	4	2.28%	4	2.00%	4	1.87%	4	1.92%	4	1.92%
Ford Motor Company	6	0.96%	6	1.00%	7	0.59%	6	0.94%	6	0.94%
Raytown, MO	5	0.99%	5	1.00%	5	0.94%	7	0.75%	7	0.75%
Trigen - Kansas City	7	0.93%	7	1.00%						
Riverside, MO	9	0.60%	9	0.70%	8	0.58%				
Pleasant Valley, MO	10	0.44%	10	0.50%	9	0.40%	8	0.42%	8	0.42%
Independence, MO	8	0.65%	8	0.70%	10	0.34%	9	0.37%	9	0.37%
Honeywell										
Roberts Dairy										
Veolia - Kansas City					6	0.65%	5	1.17%	5	1.17%
Cook Family Foods							10	0.36%	10	0.36%

User	FYE 2015		FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
Johnson County, KS	1	8.93%	1	10.01%	1	9.94%	1	8.75%	1	10.92%
Liberty, MO	2	2.55%	2	3.00%	2	3.15%	5	1.03%	5	1.06%
Gladstone, MO	3	2.70%	3	2.71%	4	2.30%	2	2.30%	2	3.25%
North Kansas City, MO	4	1.94%	5	1.93%	5	1.65%	3	2.03%	3	2.61%
Ford Motor Company	6	0.91%	6	1.24%	3	2.54%	4	1.29%	4	1.36%
Raytown, MO	7	0.75%	8	0.70%	9	0.63%	7	0.73%	7	0.76%
Trigen - Kansas City										
Riverside, MO										
Pleasant Valley, MO										
Independence, MO	9	0.48%	9	0.57%	10	0.45%				
Honeywell	8	0.70%	7	0.85%	8	0.66%				
Roberts Dairy			10	0.56%						
Veolia - Kansas City	5	1.33%	4	2.10%	6	1.17%				
Cook Family Foods	10	0.46%			7	0.77%	6	0.89%	6	0.86%
Hospital Corp of America							8	0.55%	8	0.68%
KC Parks & Rec District 3							9	0.49%	9	0.62%
Children's Mercy Hospital and Clinics							10	0.46%	10	0.47%

Source: Performance Management Division records within KC Water.

STATISTICAL SECTION



Debt Capacity



KC WATER
A Department of the City of Kansas City, Missouri
Revenue Bond Coverage Ratios
Last Ten Fiscal Years
(In Thousands)

Water Fund
Senior Bonds Only

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)	Debt Service Requirements (4)			
				Principal	Interest	Total	Coverage
2010	\$ 91,794	\$ 56,790	\$ 35,004	\$ 9,405	\$ 6,190	\$ 15,595	2.24
2011	117,399	59,398	58,001	12,045	8,415	20,460	2.83
2012	127,216	68,588	58,628	12,740	7,933	20,673	2.84
2013	151,305	74,979	76,326	13,265	8,828	22,093	3.45
2014 ⁽⁷⁾	145,478	80,718	64,760	13,200	10,306	23,506	2.76
2015	152,727	75,953	76,774	13,810	11,347	25,157	3.05
2016	157,183	72,187	84,996	13,380	13,238	26,618	3.19
2017 ⁽⁷⁾	167,093	83,353	83,740	14,850	13,688	28,538	2.93
2018	169,077	84,923	84,154	17,900	15,610	33,510	2.51
2019	180,009	84,981	95,028	17,840	15,612	33,452	2.84

Water Fund
All Water Revenue Bonds

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)	Debt Service Requirements (5)			
				Principal	Interest	Total	Coverage
2010	\$ 91,794	\$ 56,790	\$ 35,004	\$ 10,505	\$ 7,821	\$ 18,326	1.91
2011	117,399	59,398	58,001	13,290	9,995	23,285	2.49
2012	127,216	68,588	58,628	14,040	9,455	23,495	2.50
2013	151,305	74,979	76,326	14,625	10,289	24,914	3.06
2014 ⁽⁷⁾	145,478	80,718	64,760	14,625	11,704	26,329	2.46
2015	152,727	75,953	76,774	15,300	12,678	27,978	2.74
2016	157,183	72,187	84,996	14,940	14,500	29,440	2.89
2017 ⁽⁷⁾	167,093	83,353	83,740	16,485	14,877	31,362	2.67
2018	169,077	84,923	84,154	19,610	16,723	36,333	2.32
2019	180,009	84,981	95,028	19,625	16,645	36,270	2.62

Water Fund
All Water Revenue Bonds and Other Water System Obligations

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)	Debt Service Requirements (6)			
				Principal	Interest	Total	Coverage
2010	\$ 91,794	\$ 56,790	\$ 35,004	\$ 12,059	\$ 8,532	\$ 20,591	1.70
2011	117,399	59,398	58,001	16,539	11,257	27,796	2.09
2012	127,216	68,588	58,628	17,385	10,590	27,975	2.10
2013	151,305	74,979	76,326	18,100	11,294	29,394	2.60
2014 ⁽⁷⁾	145,478	80,718	64,760	18,236	12,573	30,809	2.10
2015	152,727	75,953	76,774	19,053	13,406	32,459	2.37
2016 ⁽⁸⁾	157,183	72,187	84,996	16,872	14,808	31,680	2.68
2017 ⁽⁷⁾	167,093	83,353	83,740	16,485	14,877	31,362	2.67
2018	169,077	84,923	84,154	19,610	16,723	36,333	2.32
2019	180,009	84,981	95,028	19,625	16,645	36,270	2.62

- (1) Operating revenues includes all income and revenues derived and accrued by the City from the operation of the water system, including capital repayments and interest on investments.
- (2) Operating expenses means all reasonable and necessary expenses of operating and maintaining the water system but, excluding administrative services fees, capital lease payments, depreciation and amortization charges, interest paid on water revenue bonds, any non-cash OPEB obligations and any other items listed in Section 4.3 (a)(2)-(11) of the master bond ordinance.
- (3) Net operating revenues are adjusted to exclude revenues or expenses resulting from gain or loss, or mark-to-market change to any hedge agreements.
- (4) Debt service includes senior bonds only.
- (5) Debt service includes all water revenue bonds.
- (6) Debt service includes all water revenue bonds and other water system obligations.
- (7) Restated.
- (8) Debt Service on all Water Obligations includes AMR obligations. On October 25, 2015, \$14,612,688 in remaining principal on AMR obligations were paid off. Debt Service-All Water Obligations does not reflect this final un-scheduled payment. This year has been restated to reflect only the scheduled AMR obligation payments for 2016.

Sewer Fund (1)

Fiscal Year	Gross Revenues (2)	Direct Operating Expenses (3)	Available for Debt Service	Debt Service requirements (4)				Gross Coverage	Net Coverage (5)
				Principal	Interest	Total	SRF subsidy		
2010	82,492	54,221	28,271	11,155	10,257	21,412	2,612	1.32	1.50
2011	100,486	50,803	49,683	13,679	10,609	24,288	2,612	2.05	2.29
2012	107,541	54,253	53,288	14,635	10,413	25,048	2,352	2.13	2.35
2013	123,522	60,414	63,108	16,045	13,166	29,211	2,245	2.16	2.34
2014 ⁽⁶⁾	139,231	62,525	76,706	18,425	14,954	33,379	1,947	2.30	2.44
2015	158,252	71,588	86,664	18,726	14,194	32,920	1,585	2.63	2.77
2016	181,742	82,623	99,119	17,886	13,351	31,237	1,240	3.17	3.30
2017 ⁽⁶⁾	198,493	88,017	110,476	21,090	17,040	38,130	963	2.90	2.97
2018	212,613	110,507	102,106	19,550	17,035	36,585	746	2.79	2.85
2019	253,406	103,314	150,092	22,430	21,958	44,388	594	3.38	3.43

- (1) The gross revenues and direct operating expenses only reflect that of the sewer fund and do not include the stormwater fund.
- (2) Generally, the gross revenues include retail sewer charges, intermunicipal sewer charges, other operating revenues and interest income on investments derived from the sewer system.
- (3) Generally, direct operating expenses include sewage treatment and pumping, sewer maintenance, administrative and general, and industrial waste control. Excluded from direct operating expenses are depreciation and amortization.
- (4) The numbers reflect the total annual fiscal year's debt service requirements on all the outstanding senior and junior sewer revenue bonds.
- (5) The Sewer Parity Bond ordinance allows the interest earnings subsidy received under the Revolving Fund Agreement to reduce debt service requirements for the purpose of calculating annual debt service coverage.
- (6) Restated.

Storm Water Fund

Fiscal Year	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2010	\$ 12,548	\$ 9,097	\$ 3,451	\$ 366	\$ 85	\$ 451	7.65
2011	11,288	8,524	2,764	371	79	450	6.13
2012	11,707	9,581	2,126	378	73	451	4.70
2013	13,263	9,955	3,308	463	66	529	6.25
2014	13,093	10,750	2,343	383	60	443	5.29
2015	13,854	11,703	2,151	390	53	443	4.86
2016	13,918	11,812	2,106	397	47	444	4.74
2017 ⁽⁴⁾	13,571	13,391	180	403	41	444	0.41
2018	14,302	14,381	(79)	410	34	444	(0.18)
2019	14,113	13,504	609	416	28	444	1.37

- (1) Generally, the gross revenues include storm water fees and other operating revenues.
- (2) Generally, direct operating expenses include sewage treatment and pumping, sewer maintenance and administrative and general expenses.
- (3) Excluded from direct expenses are depreciation and amortization.
- (4) Restated.

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Historical Revenue Bonds and Capital Leases - Water Fund
Last Ten Fiscal Years

Issue	Maturity Through	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
2008 Series A	December 2027	\$ 33,900,000	\$ 32,655,000	\$ 31,355,000	\$ 29,995,000	\$ 28,570,000	\$ 27,080,000	\$ 25,520,000	\$ 23,885,000	\$ 22,175,000	\$ 20,390,000
2009 Series A	December 2032	189,510,000	177,465,000	164,725,000	153,125,000	141,205,000	128,715,000	118,525,000	107,905,000	97,625,000	87,375,000
2012 Series A	December 2036	-	-	47,725,000	46,060,000	44,780,000	43,460,000	42,100,000	40,700,000	39,255,000	37,770,000
2013 Series A	December 2037	-	-	-	54,000,000	54,000,000	54,000,000	53,350,000	52,655,000	51,090,000	49,335,000
2014 Series A	December 2038	-	-	-	-	-	54,365,000	53,185,000	51,975,000	50,280,000	48,645,000
2015 Series A	December 2039	-	-	-	-	-	59,790,000	59,790,000	58,865,000	58,380,000	57,395,000
2017 Series A	December 2041	-	-	-	-	-	-	-	78,130,000	75,700,000	73,970,000
AMR Capital Lease - 2008	December 2017	9,817,761	8,652,080	7,477,139	6,261,137	5,002,639	3,700,159	-	-	-	-
AMR Capital Lease - 2009	December 2019	24,158,808	22,075,391	19,905,795	17,646,456	15,293,661	12,843,545	-	-	-	-
		<u>257,386,569</u>	<u>240,847,471</u>	<u>271,187,934</u>	<u>307,087,593</u>	<u>288,851,300</u>	<u>383,953,704</u>	<u>352,470,000</u>	<u>414,115,000</u>	<u>394,505,000</u>	<u>374,880,000</u>
Add premium:		8,926,486	8,531,217	12,841,428	17,013,854	16,232,815	23,716,521	22,596,586	28,765,488	27,349,058	25,932,628
Less:											
Current portion		(16,539,098)	(17,384,537)	(18,100,341)	(18,236,293)	(19,052,596)	(18,839,461)	(16,485,000)	(19,610,000)	(19,625,000)	(20,425,000)
Discount		-	-	-	(143,702)	(137,725)	(380,431)	(364,233)	(508,869)	(486,129)	(463,390)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(143,702)</u>	<u>(137,725)</u>	<u>(380,431)</u>	<u>(364,233)</u>	<u>(508,869)</u>	<u>(486,129)</u>	<u>(463,390)</u>
Noncurrent revenue bonds and capital leases payable		<u>\$ 249,773,957</u>	<u>\$ 231,994,151</u>	<u>\$ 265,929,021</u>	<u>\$ 305,721,452</u>	<u>\$ 285,893,794</u>	<u>\$ 388,450,333</u>	<u>\$ 358,217,353</u>	<u>\$ 422,761,619</u>	<u>\$ 401,742,929</u>	<u>\$ 379,924,238</u>

Source: Comprehensive Annual Financial Report for 2019 and historical audited financials for remaining years.

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Historical Revenue Bonds and Capital Leases - Sewer Fund
Last Ten Fiscal Years

Issue	Maturity Through	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
State Series 1992B	July 2013	\$ 390,000	\$ 300,000	\$ 205,000	\$ 105,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Series 1995B	January 2015	6,985,000	5,650,000	4,285,000	2,890,000	1,460,000	-	-	-	-	-
State Series 1996A	January 2016	10,165,000	8,700,000	7,150,000	5,510,000	3,775,000	1,940,000	-	-	-	-
State Series 1997A	January 2017	8,905,000	7,720,000	6,505,000	5,265,000	3,995,000	2,695,000	1,365,000	-	-	-
State Series 1998A	January 2019	5,190,000	4,230,000	4,230,000	3,710,000	3,165,000	2,590,000	1,990,000	1,360,000	695,000	-
State Series 1999A	January 2020	3,605,000	3,320,000	3,020,000	2,705,000	2,375,000	2,025,000	1,660,000	1,275,000	870,000	445,000
State Series 2000A	July 2020	7,770,000	7,140,000	6,495,000	5,835,000	5,165,000	4,480,000	3,775,000	3,055,000	2,320,000	1,565,000
State Series 2000B	July 2020	7,000,000	6,435,000	5,855,000	5,265,000	4,660,000	4,040,000	3,405,000	2,755,000	2,090,000	1,410,000
Stormwater 2000	December 2020	753,200	690,300	626,300	561,200	495,000	427,700	359,200	289,600	218,800	146,800
Series 2001A	March 2012	1,380,000	705,000	-	-	-	-	-	-	-	-
Stormwater 2001 & 2002	December 2021	3,727,000	3,442,000	3,152,000	2,858,000	2,559,000	2,255,000	1,946,000	1,632,000	1,313,000	989,000
State Series 2001B	July 2022	11,890,000	11,105,000	10,305,000	9,485,000	8,645,000	7,780,000	6,895,000	5,985,000	5,050,000	4,090,000
Series 2002D-1	January 2022	8,075,000	7,825,000	-	-	-	-	-	-	-	-
Series 2002D-2	January 2012	565,000	275,000	-	-	-	-	-	-	-	-
State Series 2002J	July 2022	7,065,000	6,600,000	6,125,000	5,640,000	5,145,000	4,635,000	4,110,000	3,570,000	3,015,000	2,445,000
Series 2004A	January 2024	15,180,000	14,330,000	13,450,000	940,000	-	-	-	-	-	-
Series 2004H	January 2025	8,225,000	7,760,000	7,280,000	6,795,000	6,305,000	5,810,000	5,300,000	4,775,000	4,235,000	3,680,000
Series 2005B	January 2025	12,715,000	12,085,000	11,430,000	10,750,000	10,040,000	9,300,000	-	-	-	-
Stormwater 2007	June 2027	469,400	446,400	422,400	319,000	301,000	282,000	263,000	243,000	223,000	203,000
Series 2007A	January 2032	37,965,000	36,880,000	35,750,000	34,575,000	33,355,000	32,085,000	-	-	-	-
Series 2009A	January 2034	69,480,000	67,250,000	65,765,000	63,820,000	61,820,000	59,755,000	57,615,000	55,400,000	53,105,000	-
Series 2009B	July 2030	1,191,875	5,912,256	9,576,202	9,036,996	12,002,958	11,371,600	10,726,000	10,065,900	9,390,900	8,700,600
Series 2011A	January 2037	-	-	89,030,000	86,625,000	84,140,000	81,555,000	78,865,000	76,060,000	73,135,000	70,090,000
Series 2012A	January 2037	-	-	-	78,650,000	76,795,000	74,055,000	71,230,000	68,295,000	65,245,000	62,130,000
Series 2016A	January 2040	-	-	-	-	-	-	183,740,000	176,990,000	170,885,000	164,660,000
Series 2018A	January 2042	-	-	-	-	-	-	-	-	165,000,000	160,285,000
Series 2018B	January 2034	-	-	-	-	-	-	-	-	-	42,055,000
		<u>228,691,475</u>	<u>219,290,956</u>	<u>290,656,902</u>	<u>341,340,196</u>	<u>326,197,958</u>	<u>307,081,300</u>	<u>433,244,200</u>	<u>411,750,500</u>	<u>556,790,700</u>	<u>522,894,400</u>
Add premium:		3,115,315	2,909,994	11,567,068	19,342,019	18,690,589	17,567,955	34,437,602	32,819,893	47,663,807	49,935,360
Less:											
Current portion		(13,745,331)	(14,489,290)	(16,255,673)	(18,621,354)	(19,116,658)	(18,282,100)	(21,493,700)	(19,961,818)	(25,236,300)	(24,019,000)
Discount		<u>(385,318)</u>	<u>(363,478)</u>	<u>(412,475)</u>	<u>(634,829)</u>	<u>(607,837)</u>	<u>(566,990)</u>	<u>(804,562)</u>	<u>(764,785)</u>	<u>(989,296)</u>	<u>(898,963)</u>
Noncurrent revenue bonds and capital leases payable		<u>\$ 217,676,141</u>	<u>\$ 207,348,182</u>	<u>\$ 285,555,822</u>	<u>\$ 341,426,032</u>	<u>\$ 325,164,052</u>	<u>\$ 305,800,165</u>	<u>\$ 445,383,540</u>	<u>\$ 423,843,790</u>	<u>\$ 578,228,911</u>	<u>\$ 547,911,797</u>

Source: Comprehensive Annual Financial Report for 2019 and historical audited financials for remaining years.

KC WATER
A Department of the City of Kansas City, Missouri
Ratios of Outstanding Debt
Last Ten Calendar Years
(In thousands)

Year	Water Fund Debt ¹	Sewer Fund Debt ¹	Total Debt	Percentage of Personal Income	Per Capita ²
2010	\$ 257,387	\$ 228,692	\$ 486,079	4.27%	\$ 1,057
2011	240,847	219,691	460,538	3.82%	997
2012	278,657	301,603	580,260	4.79%	1,249
2013	323,957	360,047	684,004	5.59%	1,464
2014	304,946	344,281	649,227	5.11%	1,379
2015	407,290	324,083	731,373	5.26%	1,540
2016	374,702	466,877	841,579	5.92%	1,747
2017	442,372	443,806	886,178	5.71%	1,815
2018	421,368	603,465	1,024,833	6.28%	2,083
2019	400,349	571,931	972,280	5.68%	1,967

Sources:

¹ Information comes from Comprehensive Annual Financial Report for 2019 and historical audited financials for remaining years

² Census Bureau's 2011 to 2018 Population Estimates Program. The 2015, 2016, 2017, and 2018 numbers have been restated.

STATISTICAL SECTION

Demographic and Economic Information



KC WATER
A Department of the City of Kansas City, Missouri
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income⁽⁴⁾ (in Thousands)	Per Capita Personal Income⁽⁵⁾	School Enrollment	Unemployment Rate⁽⁷⁾
2010	459,787 ⁽¹⁾	\$ 11,382,487	\$ 24,756	56,391	10.0
2011	462,091 ⁽²⁾	12,056,416	26,091	56,764	8.9
2012	464,511 ⁽²⁾	12,107,944	26,066	57,549	7.3
2013	467,251 ⁽²⁾	12,242,911	26,202	57,042	7.3
2014	470,882 ⁽²⁾	12,712,872	26,998	55,360	6.9
2015	475,069 ⁽²⁾	13,900,994	29,261 ⁽⁹⁾	55,077	5.7
2016	481,626 ⁽²⁾	14,219,526	29,524 ⁽⁹⁾	55,039	4.9
2017	488,266 ⁽²⁾	15,510,746	31,767 ⁽⁹⁾	56,711	4.3 ⁽¹⁰⁾
2018	491,918 ⁽²⁾	16,328,726	33,194 ⁽⁹⁾	61,855 ⁽⁶⁾	3.5 ⁽¹⁰⁾
2019	494,285 ⁽³⁾	17,119,067	34,634	62,958 ⁽⁶⁾	3.8 ⁽⁸⁾⁽¹¹⁾

Sources:

¹ The 2010 Calendar Year population numbers are from the 2010 Census.

² Census Bureau's 2011 to 2018 Population Estimates Program. The 2015, 2016, 2017, and 2018 numbers have been restated.

³ The Calendar Year 2019 estimates were provided by the City Planning and Development Department using extrapolation of the change from 2010 to 2018.

⁴ Fiscal Year 2010-2018 American Community Survey.

⁵ For 2018 and 2019 the estimates are based upon averaging two figures: (1) the 2017 American Community Survey adjusted for CPI change from 2017 to 2018 and (2) City Planning and Development Department using extrapolation of the change from 2016 to 2017, forward to 2018 and 2019.

⁶ niche.com was used for schools in Kansas City.

⁷ Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT293800000000003, not seasonally adjusted.

⁸ Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT293800000000003, not seasonally adjusted average monthly rates from January 2019 through August 2019.

⁹ The 2015, 2016, 2017, and 2018 numbers have been restated due to a restatement of the population estimates.

¹⁰ Restated from prior years

¹¹ Preliminary numbers

KC WATER
A Department of the City of Kansas City, Missouri
Top 10 Principal Employers
Current Year and Ten Years Ago

Employer¹	2019		Employer	2010	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Public School System ³	39,048	3.51%	Federal Government	37,070	3.82%
State/County/City Government ²	21,547	1.94%	Public School System	29,566	3.05%
Federal Government	20,846	1.87%	State/County/City Government	27,371	2.82%
Cerner Corp.	14,000	1.26%	HCA Midwest Health Systems	8,127	0.84%
HCA Midwest Health System	9,963	0.90%	Sprint Nextel Corp.	7,300	0.75%
The University of Kansas Hospital	10,489	0.94%	Saint Luke's Health System	6,622	0.68%
Saint Luke's Health System	9,700	0.87%	McDonald's USA LLC	5,700	0.59%
Ford Motor Co. Kansas City Assembly Plant	7,030	0.63%	Cerner Corp	4,980	0.51%
Children's Mercy	7,189	0.65%	Children's Mercy	4,812	0.50%
Hallmark	5,200	0.47%	Truman Medical Center	4,081	0.42%
Total employment Kansas City MSA⁴	1,113,000	13.03%	Total employment Kansas City MSA	969,900	13.98%

Sources: ¹ Top Public-Sector Employers, Kansas City Business Journal, July 2019 and Top 100 Area Private Sector Employers, Kansas City Business Journal, July 2019.

² The number of local employees for the State/County/City Government is made up of seven (7) employers for 2019.

³ The number of local employees for the public school systems is made up of twelve (12) public school systems and school districts for 2019.

⁴ Bureau of Labor Statistics, <https://www.bls.gov/sae/#tables> as of July 2019

**The information presented in this table speaks only as of the date indicated in the source.

Layoffs or developments after this date are not presented, and they can render some information in the table to be inaccurate.

In general, job losses have occurred across most major industry sectors.

STATISTICAL SECTION

Operating Information



KC WATER
A Department of the City of Kansas City, Missouri
Operating Indicators
Last Ten Fiscal Years

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Customer Service										
Call Center calls		310,294	312,783	307,571	281,205	304,849	319,744	311,724	305,756	312,961
Average customer service call per day		1,241	1,251	1,230	1,120	1,219	1,279	1,247	1,218	1,247
Average speed of answer (seconds)	162	251	232	64	27	54	86	100	99	133
Percent of time answering calls in < 30 seconds			24.7%	58.3%	73.3%	64.7%	57.7%	52.5%	53.5%	43.7%
Abandonment Rate		15.6%	8.1%	3.6%	5.0%	2.8%	12.1%	5.4%	5.8%	6.9%
Water										
Water main breaks	911	1,214	1,700	1,846	1,375	852	815	686	723	964
Water customers served	159,000	160,000	167,051	168,603	168,000	168,000	171,500	172,000	172,280	173,107
Water consumption (millions of gallons)	31,359	34,367	38,780	40,945	38,920	31,616	31,336	31,792	31,011	31,921
Average daily production (thousands of gallons)	95,420	103,000	102,180	112,000	113,000	96,270	95,200	113,000	94,417	99,800
Peak daily production (thousands of gallons)	143,000	176,000	176,890	197,000	240,000	146,600	141,000	159,000	147,630	158,100
Water mains (miles)	2,772	2,780	2,781	2,797	2,800	2,800	2,806	2,824	2,833	2,824
Fire hydrants	22,732	23,103	23,181	23,662	23,000	23,801	24,252	24,348	24,777	24,750
Storage capacity (thousands of gallons)	128,230	133,400	141,000	120,000	141,000	141,000	155,000	155,000	155,000	155,000
Sewer										
Sanitary sewer (miles)	2,258	2,826	2,535	2,543	2,800	2,800	2,800	2,974	2,709	2,551
Sewer customers served	152,721	153,478	158,210	162,513	163,492	164,088	164,637	165,191	166,295	167,095
Average daily sewage treatment (millions of gallons)	117	117	103	91	72	93	111	96	72	114
Treatment capacity (millions of gallons)	153	154	155	155	155	155	155	150	155	155

Source: Performance Management division records within KC Water.

Water main breaks calculation change due to systems updates 2014-2019

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Water Fund
Last Ten Fiscal Years

Division	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Directors Office	10	9	7	11	9	7	7	9	9	8
Finance & Administration	16	18	21	21	29	29	29	30	30	31
Revenue Protection	4	5	6	6	6	7	7	7	7	7
Budget and Finance	1	1	1	1	-	-	-	-	-	-
Human Resources	5	5	5	7	7	10	11	12	12	12
Communications	3	3	6	4	4	5	5	6	6	6
Consumer Services	57	60	71	76	69	72	72	75	75	76
Information Technology	-	-	-	12	12	13	13	13	13	14
Laboratory Services	28	28	28	28	28	28	29	30	30	31
Engineering - Facilities	6	7	7	7	7	8	8	9	9	8
Engineering - General Services	2	-	-	-	-	1	1	1	1	1
Safety Management	3	3	3	3	3	3	3	4	4	4
Engineering - Distribution System	26	31	32	33	33	32	32	34	34	32
Engineering - Planning	11	12	10	10	10	10	10	10	10	11
Building Operations	4	5	5	5	5	5	5	5	5	5
Line Maintenance - General Services	5	5	7	7	7	7	7	7	7	7
Line Maintenance - Pipeline	93	93	96	108	107	109	122	131	131	131
Line Maintenance - Inspections	-	1	-	-	-	-	-	-	-	-
Water Supply - General Services	5	9	8	12	12	12	12	13	13	12
Water Supply - Operations	39	39	39	39	39	39	39	39	39	39
Water Supply - Maintenance	54	55	55	55	55	55	56	56	56	56
Industrial Waste Control	-	-	-	-	-	-	-	1	1	-
Reading & Services - Water Services	78	74	74	84	85	87	75	72	72	72
Reading & Services - Meter Reading	22	12	9	9	9	9	7	7	7	7
Stormwater Services	1	-	-	-	-	-	-	-	-	-
Waterways	-	-	-	-	-	-	-	1	1	-
Training & Development	-	-	-	-	-	-	-	-	-	-
Storeroom	11	6	6	6	6	6	6	6	6	6
Security Operations	7	11	5	5	5	4	4	3	3	3
Brush Creek Improvements	8	8	8	8	8	1	1	-	-	-
	<u>499</u>	<u>500</u>	<u>509</u>	<u>557</u>	<u>555</u>	<u>559</u>	<u>561</u>	<u>581</u>	<u>581</u>	<u>579</u>

Source: Performance Management division records within KC Water.

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Sewer Fund
Last Ten Fiscal Years

Division	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Directors Office	6	6	6	6	7	6	6	6	6	7
Contract Administration	4	5	5	5	5	5	5	7	7	8
Laboratory Services	7	7	7	6	6	6	5	5	5	5
Engineering - Facilities	1	3	3	3	3	3	3	5	5	5
Sanitary Sewer Special Assessment	6	5	-	-	-	-	-	-	-	-
Engineering - General Services	-	2	2	2	1	1	1	1	1	1
Overflow Control Program	3	6	6	6	6	7	7	9	9	12
Safety Management	2	2	2	2	2	2	2	2	2	2
Engineering - Distribution System	12	15	18	19	19	19	19	25	25	25
Engineering - Planning	6	7	9	9	9	10	10	10	10	11
Building Operations	5	5	4	4	5	5	5	6	6	5
Line Maintenance - Sewer Repair	109	110	120	123	125	126	127	124	124	101
Line Maintenance - Sewer Cleaning	-	-	-	-	-	-	-	-	-	27
Line Maintenance - General Services	9	8	7	11	11	10	10	10	10	9
Line Maintenance - Inspections	21	27	29	29	29	29	29	29	29	28
Wastewater Treatment-Maintenance	65	65	69	69	70	69	70	72	72	71
Wastewater Treatment-Operations	43	48	49	52	52	52	52	54	54	59
Industrial Waste Control	6	8	8	8	8	13	12	14	14	16
Training & Development	-	-	-	-	-	-	-	-	-	-
Storeroom	5	4	4	4	4	4	3	3	3	3
Security Operations	14	7	-	-	-	-	-	-	-	1
Household Hazardous Waste	7	8	1	2	2	1	1	-	-	-
	<u>331</u>	<u>348</u>	<u>349</u>	<u>360</u>	<u>364</u>	<u>368</u>	<u>367</u>	<u>382</u>	<u>382</u>	<u>396</u>

Source: Performance Management Division records within KC Water

KC WATER
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Stormwater Fund
Last Ten Fiscal Years

Division	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Directors Office	1	1	1	1	1	-	-	-	-	-
Engineering - Planning	1	1	5	5	5	5	5	5	5	5
Catch Basin Cleaning & Repair	66	68	76	80	82	85	85	85	85	56
Stormwater Services	12	13	15	18	14	14	14	15	15	12
Stormwater Flood Monitoring	-	-	-	-	1	2	2	2	2	2
Engineering Stormwater Design	4	4	2	-	-	-	-	-	-	-
Waterways	-	-	-	-	-	5	5	5	5	6
Discharge Permit Programs	-	-	-	-	3	3	3	3	3	3
Household Hazardous Waste	-	-	-	-	-	1	1	1	1	1
	<u>84</u>	<u>87</u>	<u>99</u>	<u>104</u>	<u>106</u>	<u>115</u>	<u>115</u>	<u>116</u>	<u>116</u>	<u>85</u>

Source: Performance Management Division records within KC Water



KC WATER

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